

Hill Country Telephone Cooperative, Inc. P. O. Box D 220 Carolyn Ingram, Texas 78025-0768

April 18, 2011

Marlene H. Dortch, Secretary Federal Communications Commission 445 Twelfth Street, S.W. Washington, D.C. 20554

Re: WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109 April 18, 2011 Comments of Hill Country Telephone Cooperative, Inc.

Dear Ms. Dortch:

Hill Country Telephone Cooperative ("Hill Country") submits this request for confidentiality pursuant to the September 16, 2010 Protective Order in CC Docket No. 01-92, WC Docket Nos. 05-337, 07-135 and 10-90 and GN Docket No. 09-51. Hill Country seeks confidential treatment of certain data contained in attachments to the above-referenced Comments.

Pursuant to paragraph 4 of the Protective Order, non-redacted and redacted versions are filed herewith. Each page of the non-redacted submission is marked "CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER IN CC DOCKET NO. 01-92, WC DOCKET NOS. 05-337, 07-135 AND 10-90 AND GN DOCKET NO. 09-51 BEFORE THE FEDERAL COMMUNICATIONS COMMISSION". Each page of the redacted submission is marked "REDACTED - FOR PUBLIC INSPECTION". The redacted version is also being filed this date via the FCC's Electronic Comment Filing System.

Please contact the undersigned with any questions.

Respectfully submitted,

/s/ Delbert Wilson

Delbert Wilson, General Manager Hill Country Telephone Cooperative, Inc. P. O. Box D 220 Carolyn Ingram, Texas 78025-0768

Attachments

cc: Lynne Hewitt Engledow, Wireline Competition Bureau (two copies non-redacted)

<sup>&</sup>lt;sup>1</sup> See Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92, Protective Order, 25 FCC Rcd 13160 (WCB 2010)

# Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

In the Matter of	)	
Connect America Fund	)	WC Docket No. 10-90
A National Broadband Plan for Our Future	)	GN Docket No. 09-51
Establishing Just and Reasonable Rates for Local Exchange Carriers	)	WC Docket No. 07-135
High-Cost Universal Service Support	)	WC Docket No. 05-337
Developing a Unified Intercarrier Compensation Regime	) ) )	CC Docket No. 01-92
Federal-State Joint Board on Universal Service	) )	CC Docket No. 96-45
Lifeline and Link-Up	)	WC Docket No. 03-109

#### **COMMENTS OF**

HILL COUNTRY TELEPHONE COOPERATIVE, INC.

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#### **EXECUTIVE SUMMARY**

Hill Country Telephone Cooperative, Inc. ("Hill Country") is a small, rate-of-return regulated incumbent local exchange carrier located in the rugged, rural areas near Kerrville, Texas. We are privileged to have been able to make significant investments to provide advanced telecommunications and broadband services to our members/shareholders, and have been serving our rural communities for the past 60 years. Much of that investment was made possible through loans that were based on the reasonable assumption that revenues generated from rate-of-return regulation, under which we have operated since inception, would continue to support that investment. This model has proven successful, enabling deployment of broadband services in rural areas of the United States, while price cap regulation (sometimes known as incentive regulation) has proven to create the so-called "rural-rural divide." Now, in an effort to close the gap, the Federal Communications Commission ("FCC" or "Commission") proposes to reduce the distance between the "haves" and the "have nots" in such a manner that we will all be made "have nots."

We believe this is the wrong direction and encourage the FCC to rethink its Universal Service Fund ("USF") reform proposals. At a minimum, if the Commission must move forward with unwinding the current USF programs, we encourage the Commission to do so in such a way that honors the financial commitments that rural carriers of last resort have made to their lenders and their communities by providing an extended transition period such that loans made based upon rate-of-return financial assumptions will be repaid before any major reforms begin. For Hill Country, based on our current CoBank loan agreements, that means we would fail our loan commitment for the term of the loan.

# Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

In the Matter of	)	
Connect America Fund	)	WC Docket No. 10-90
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Federal-State Joint Board on Universal Service	) ) )	CC Docket No. 96-45
Lifeline and Link-Up	)	WC Docket No. 03-109

#### **COMMENTS OF**

#### HILL COUNTRY TELEPHONE COOPERATIVE, INC.

Hill Country Telephone Cooperative, Inc., ("Hill Country" or the "Cooperative") is filing these comments in response to the Federal Communications Commission ("FCC" or "Commission") Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking released February 9, 2011 seeking comment on the National Broadband Plan and Universal Service Fund ("USF") reform.<sup>1</sup>

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<sup>&</sup>lt;sup>1</sup> Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing an Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Linkup, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, GN Docket No. 09-51, CC Docket Nos. 01-92, 96-45, Further Notice of Proposed Rulemaking, FCC 11-13 (rel. Feb. 9, 2011), ("USF-ICC Reform NRPM").

#### I. WHO WE ARE

On February 13, 1951, a small group of people gathered at the Gillespie County Agriculture Building in Fredericksburg, Texas to organize a rural telephone cooperative under the Texas Telephone Cooperative Act. On May 14, 1951, the group applied to the Texas Secretary of State for a charter and, in October 1951, the corporate seal and cooperative bylaws were adopted. Hill Country Telephone Cooperative, Inc. was formed and in August 1953 the board of directors applied for a loan under the Rural Electrification Administration ("REA") to finance construction and operation of a telecommunications network to initially serve approximately 975 members.

While Hill Country has grown significantly in both size and the scope of the services we offer to our members, we proudly continue to honor the same regulatory compact that we did when we first obtained low-interest REA funding; to provide high-quality telecommunications services to our members. Hill Country is an Eligible Telecommunications Carrier ("ETC") and a Carrier of Last Resort ("COLR") throughout our study area. Our commitment to providing service universally to our members dates back 60 years – decades before the existence of a Universal Service Fund ("USF") - and we hope to be able to continue to meet our members' telecommunications and broadband service needs for at least the next 60 years.

As a small, rural member-owned incumbent local exchange carrier ("ILEC"), Hill Country currently provides service to 15,121 customers in the rugged Texas Hill Country near Kerrville. Our customers include numerous community anchor institutions such as schools, libraries, health care facilities, local, state, and federal law enforcement agencies. We provide vital services to agribusinesses and wireless service providers who rely on our network to meet

their commercial needs. For most, if not all, of these customers, we are the only reliable source for advanced telecommunications and information services within our community. Our customers/shareholders are located in 15 exchanges which are in 14 different counties, covering over 2,900 square miles. For the entire study area, Hill Country's customer density is approximately 5.3 customers per square mile, but many of our rocky, rural exchanges are much less densely populated.

With 106 employees, we are one of the largest employers within the community. As a member-owned utility, we are governed by a democratically-elected board of directors who represent the interests of their constituents/members. Hill Country's presence in the community helps to support more than 30 worthy community organizations throughout our service area with donations and monetary gifts, including activities such as mobile computer classes, economic development conferences, Medina Children's Home, and Schreiner University. Our management, board of directors, and shareholders/customers are all contributing members of the community where Hill Country provides service.

Recognizing the importance of broadband availability for rural economic development, we obtained a \$30 million loan from CoBank to bolster our deployment efforts.<sup>2</sup> We installed two new Nortel CS 1500 soft switches, 426 miles of fiber optic cable with approximately 250 digital loop carriers placed strategically to shorten our member loop lengths to approximately 7,000 feet. With these shortened loops, we are able to offer our members bandwidth up to 17 – 20 Mbps, thus allowing us to deliver an array of new services and products to our members.

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<sup>&</sup>lt;sup>2</sup> See Letter from Sarah Tyree, Vice President, Government Affairs, CoBank to Marlene H Dortch, Secretary, FCC, CC Docket No. 96-45 (filed April 5, 2011)... (explaining CoBank's approach to financing rural exchange carriers and that it "views elimination of rate-of-return regulation for our rural local exchange carrier customers as a serious

In an effort to reach even more of our members with broadband services, we applied for and were awarded a combined grant/loan of \$12,234,217 from the Rural Utilities Service ("RUS") Broadband Infrastructure Program ("BIP") in 2010. \$8.56 million of the funding was a grant and \$3.67 million was a 25-year loan from RUS. The project includes both fiber to the premises and fiber to the node with a total of 151 miles of fiber optic cable and roughly 29 digital loop carriers to shorten customer loop lengths in an effort to increase both broadband availability and speeds. We anticipate completing this project around the middle of 2013.

The loan from CoBank and the loan portion of the RUS BIP funding were made based on a business model that included USF revenues under the current rate-of-return regulatory program. As demonstrated herein and as evidenced by the attached 7-year financial projection, if the FCC were to adopt the near-term proposals set forth in the USF-ICC Reform NRPM, Hill Country would fail to meet our CoBank loan covenants in 2012 which would have a severe negative impact on the Cooperative and the rural communities that we serve. It would also immediately cause the Cooperative to fail Times Interest Earned Ratio ("TIER") which is the financial metric RUS used to evaluate the financial viability of its stimulus loan award. Given this fact, the Cooperative is currently reconsidering accepting the BIP stimulus award. This would mean that projects targeted with the stimulus award would be jeopardized which is contrary to the intent of the American Recovery and Reinvestment Act and, further, subscribers would suffer harm. Accordingly, if the FCC were to adopt the proposals in the USF-ICC Reform NPRM, it would have a devastating impact on our ability to provide high-quality

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<sup>&</sup>lt;sup>3</sup> The 7-year financial projection contains proprietary pricing and other data and thus has been filed pursuant to the Protective Order. *See Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92, Protective Order, 25 FCC Rcd 13160 (WCB 2010)

telecommunications and broadband services to individuals and anchor institutions in rugged Texas Hill Country.

# II. TRANSITION PERIOD SHOULD BE EXTENDED TO ALLOW LOAN COMMITMENTS TO BE KEPT

Hill Country appreciates the Commission's decision to take a long, hard look at the current USF programs to ensure that the mechanism is specific, predictable, and sufficient to continue to meet the goal of providing advanced telecommunications and information services at just, reasonable, and affordable rates to consumers in all regions of the Nation.<sup>4</sup>

Hill Country is no newcomer to the Commission. Just last month, I met with members of the Wireline Competition Bureau to discuss the devastating impact that the proposed USF reforms would have on our operations.<sup>5</sup> We have even provided our financial records to FCC staff members in an effort to help the staff better understand our operations and the importance of rate-of-return regulation as well as sufficient and predictable universal service support revenue streams. With approximately 14.8% of our revenues coming from federal USF support, we are extremely concerned about some of the FCC's reform proposals.

While the current funding mechanism may not be perfect, there can be little argument that rate-of-return regulation assisted by universal service support has allowed Hill Country (and other rate-of-return ILECs like it) to deploy advanced telecommunications and information services to customers located in rural areas of the Nation.<sup>6</sup> Without such programs, we would

<sup>5</sup> See Letter from John Kuykendall, John Staurulakis, Inc., to Marlene H Dortch, Secretary, FCC, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45 (filed March 22, 2011) ("Hill Country Ex Parte Letter").

<sup>&</sup>lt;sup>4</sup> 47 U.S.C. § 254(b).

<sup>&</sup>lt;sup>6</sup> See USF-ICC Reform NPRM, ¶ 170.

not have been able to make the necessary investment required to build and maintain a network to serve our rural, high-cost customers.

As further discussed below, if the FCC makes the USF changes that it has proposed in the USF-ICC NPRM, Hill Country will default on existing loans made for outside plant already in service. As such, if the FCC decides to make significant USF reforms, it is imperative that the FCC provide a transition period that is sufficiently long enough to allow rate-of-return ILECs who have made significant investments in rural networks to avoid defaulting on existing loans, including RUS BIP loans. For Hill Country, our current CoBank loan will not be paid in full until 2020, but if the FCC proceeds with the USF reforms as proposed, and further addressed below, we will default on the loan in 2012.

#### III. FINANCIAL IMPACT OF USF PROPOSALS

In the USF-ICC Reform NPRM, the FCC proposes significant changes to the High Cost Loop Support ("HCLS"), Local Switching Support ("LSS"), Interstate Common Line Support ("ICLS") and Safety Net Additive ("SNA") components of the federal USF program. Notably, for Hill Country, the USF-ICC Reform NPRM proposes the following changes as further detailed in Attachment 1:

One proposal would remove all corporate operations expense recovery in HCLS,
 LSS and ICLS while another would reduce the support percentages for HCLS from the current percentages of 65% and 75% to 55% and 65%, respectively. The combined effect of these two proposals, taking into account the decrease that

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<sup>&</sup>lt;sup>7</sup> See Letter from The Hon. Timothy V. Johnson, et al., to The Hon. Julius Genachowski (March 31, 2011) ("The FCC should implement these reforms in a way that manages the providers' transition.")

would occur in the National Average Cost Per Loop ("NACPL"),<sup>8</sup> would be a reduction in HCLS of \$161,169, a reduction in LSS of \$63,305 and a reduction in ICLS of \$555,640 for a total reduction of \$780,114 in USF.

- A third proposal would eliminate safety net additive support immediately, or implement a phase-down over possibly three years.<sup>9</sup> An immediate elimination of safety net additive support would cause our annual net revenues to decrease \$432,120.
- In sum, the annual revenue impact on Hill Country of these three proposals is a reduction of \$1,212,234, or a 13.65% reduction in our current USF support levels.

A fourth proposal would eliminate LSS immediately. As show in Attachment 1, assuming that the FCC does not eliminate LSS entirely, but merely eliminates the recovery of corporate operations expenses from the LSS program, \$576,808 in LSS that the Cooperative would otherwise receive is reduced by \$63,305. Eliminating LSS entirely thus would mean that the Cooperative would lose an additional \$513,503 in USF, increasing the total amount of reduction to \$1,725,737.

As demonstrated below, the immediate loss of this significant amount of funding would not only destroy our ability to continue providing reliable telecommunications and broadband services to our rural customers but also would cause us to default on our current loans. Hill Country echoes the concerns recently raised by 30 United States Senators when they stated, "we

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<sup>&</sup>lt;sup>8</sup> Attachment 1 assumes a decrease of 27 percent to NACPL.

<sup>&</sup>lt;sup>9</sup> See USF-ICC Reform NPRM, ¶ 185.

believe these reform proposals must strike a balance to protect the investments that have already occurred and the need to overhaul the programs."<sup>10</sup>

#### IV. HILL COUNTRY'S PROJECTED FINANCIAL SOLVENCY

In an effort to analyze the impact of the USF-ICC Reform NPRM on our future operations, we prepared the attached 7-year financial projection to evaluate our ability to remain compliant with the debt covenants set forth in Hill Country's loan agreement with CoBank. As discussed earlier, Hill Country applied for these loans with the reasonable presumption that existing support mechanisms would be used for legacy investment. The accompanying balance sheet, statements of income, and cash flows represent audited financials for the years ending December 31, 2008 and 2009. The year ending December 31, 2010 uses unaudited 2010 financials. The projected 7-year period encompasses 2011 – 2017.

Based on our forecasts, assuming the Commission moves forward with the proposed changes to the existing USF program as contained within the USF-ICC Reform NPRM, we will fail to meet our CoBank loan covenants in 2012. Failure to meet a loan covenant imposes an additional burden on our company and thus our customers. CoBank would immediately apply a penalty interest rate, as agreed to in our loan agreement. Penalty interest was not assumed for modeling purposes; however, its assessment would immediately tie up cash that could otherwise be invested in broadband deployment. In addition, the elimination of corporate operations expense from HCLS, LSS, and ICLS has a significant and almost immediate detrimental effect on our operating cash flow. The elimination of the SNA support also reduces free cash flow and thus impacts our profit/loss statements as well as investable cash. Based on these projections,

<sup>&</sup>lt;sup>10</sup> See Letter from Sen. Mark Begich, et al., to The Hon. Julius Genachowski, (Apr. 6, 2011).

<sup>&</sup>lt;sup>11</sup> See Attachment 2.

Hill Country is reconsidering accepting the BIP stimulus award because it will immediately cause us to fail TIER if the Commission adopts the proposed USF changes.<sup>12</sup>

Figure 1 represents Hill Country's projected revenues over the 7-year period under the current USF reform proposals contained in the USF-ICC Reform NPRM. As evidenced by the line graph, revenue decline is mainly attributable to the reduction in access support and HCLS. HCLS is trending toward zero by the end of the projection period.

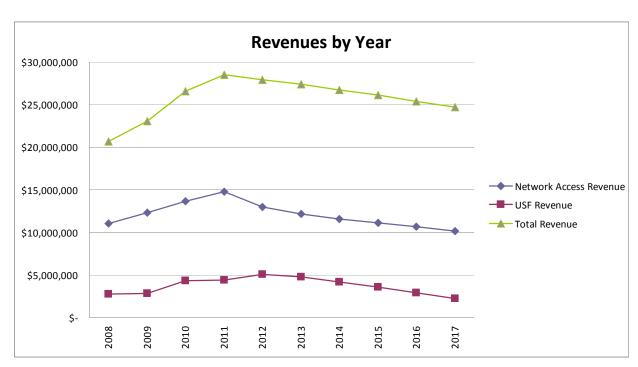


FIGURE 1

 $<sup>^{12}</sup>$  As noted above, TIER is the financial metric RUS used to evaluate the financial viability of its stimulus loan awards.

Figure 2 represents Hill Country's debt to cash flow ratio over the projection period. The debt to cash flow ratio provides an indication of a company's ability to cover total debt with its yearly cash flow from operations. CoBank wrote the loan covenants so that the maximum debt to cash flow ratio would decline over time (as seen from 2009 – 2012). CoBank premised these ratios on existing support mechanisms remaining in place for the duration of the loan. When the blue line is above the red line, we fail the debt to cash flow covenant. Based on our assumptions, we would fail in 2012 and continue to fail until 2014.

FIGURE 2

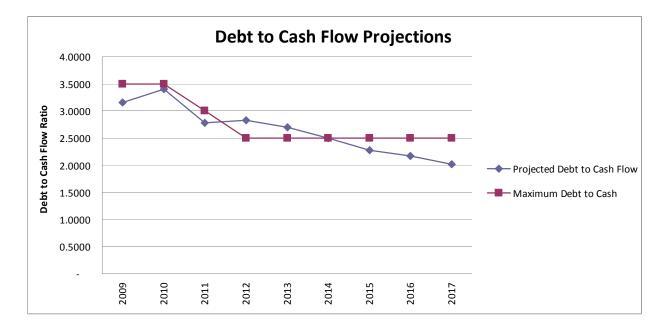


Figure 3 represents Hill Country's Debt Service Coverage Ratio ("DSCR"). DSCR measures the ratio of cash available for debt servicing to interest, principal, and lease payments. When the blue line falls below the red line, we would be in violation of the DSCR covenants in our CoBank loan agreement. Figure 3 illustrates that if the current proposals are adopted, all else being equal, we would fail DSCR in 2016 and continue to fail throughout the term of the loan.

**Debt Service Coverage Ratio** 12.0000 10.0000 **Debt Service Coverage Ratio** 8.0000 6.0000 Debt Service Coverage Ratio Minimum Debt Service Coverage 4.0000 2.0000 2009 2010 2011 2012 2013 2014 2016 2017

FIGURE 3

These figures do not represent wild exaggerations or assumptions. In fact, we have specifically excluded any projected impact associated with intercarrier compensation reform proposals, as contained in the USF-ICC Reform NPRM. However, intercarrier compensation is a significant revenue source for Hill Country and, were the Commission to transition to a bill-and-keep mechanism during the projected periods, the above projections would be even more dire.

Nevertheless, the above projections do not represent a "business-as-usual" approach either. They represent considerable effort on our part to reduce costs in an effort to comply with our loan agreement. While Hill Country is already operating with a lean workforce, the above projections assume that we will eliminate 35% of our current workforce over the next seven years in response to the FCC's USF reform efforts. These are real people with real families. As one of the largest employers in the area, such a drastic reduction in workforce will have very real impacts on our community as those cost cutting measures trickle down into the local economy, causing further job loss. Additionally, with such a drastic reduction in workforce, our ability to provision quality telecommunications and broadband services in a timely manner to our members will be severely impacted, possibly putting us in jeopardy of meeting our state commission's service quality standards. However, even with such draconian reductions, we will still fail to meet our loan obligations, as addressed above.

#### V. CONCLUSION

Hill Country recognizes that the Commission is likely headed down a path to significantly reform the USF programs. However, as the FCC unwinds the current USF mechanism, we encourage the Commission to recognize that rural ILECs have made considerable investments to deploy broadband services throughout our service areas under the current rate-of-return regulatory compact. As the Commission weighs the benefits of price cap regulation for small rate-of-return providers, I hope that it will consider the impact that such regulation has had for rural portions of the United States. Have price cap carriers made heavy investments to deploy broadband service to rural areas? Have these communities benefitted from their provider's price cap election or has it caused these providers to limit their investment

to the most urban communities with the highest returns? If the Commission modifies the USF mechanisms to increase the levels of support provided to price cap carriers, what assurance is there that these additional revenues will not end up on Wall Street, instead of on Main Street?

If the Commission insists on making significant changes to the USF programs, it must do so in such a way that the transition to the next form of USF is long enough to allow rate-of-return providers to avoid defaulting on their loan agreements. It would be a shame if the reforms adopted by the FCC in association with its National Broadband Plan actually cause existing broadband customers to lose broadband services.

Respectfully submitted,

**April 18, 2011** 

HILL COUNTRY TELEPHONE COOPERATIVE, INC.

By:/s/ Delbert Wilson
Delbert Wilson, General Manager
Hill Country Telephone Cooperative, Inc.
P. O. Box D
220 Carolyn
Ingram, Texas 78025-0768

# **ATTACHMENT 1**

#### Hill Country

SAC ID: 442086

**NPRM Proposed Changes** 

Current HCL Support\*

#### **High Cost Loop Fund Changes:**

Reduction due to algorithm change(\$tand alone)(\$642,540)Reduction due to elimination of Corp. Exp.(\$tand alone)(\$1,197,217)Combined effect (run together)(\$1,680,128)Increase due to resizing of NACPL(assumed decrease of 27% to NACPL)\$1,518,959Revised HCLF Support\$4,404,936

FCC proposes to eliminate (or reduce) support for corporate expenses in all funding mechanisms.

\$4,566,105

FCC proposes to reduce the reimbursement percentages for high-cost loop support from the current percentages of 65% for qualifying study area loop costs between 115 - 150% and 75% for qualifying study area loop costs in excess of 150% to 55% and 65%, respectively.

#### **Local Switching Support Changes:**

Current LSS	\$576,808
Reduction due to elimination of Corp. Exp.	(\$63,305)
Revised LSS Support	\$513,503

The FCC seeks to eliminate local switching support, or combine this program with high-cost loop support. Alternatively, the FCC would combine the LSS program into the HCLS program—creating a LHCS hybrid, using an algorithm similar to HCLS.

#### **Interstate Common Line Support Changes:**

Current ICLS	\$3,305,502
Reduction due to elimination of Corp. Exp.	(\$555,640)
Revised ICLS Support	\$2,749,862

#### Safety Net Additive

Current Safety Net Support	\$432,120
Reduction due to elimination of Safety Net	(\$432,120)
Revised Safety Net	\$0

The FCC seeks to eliminate safety net additive support immediately, or implement a phase-down over possibly

	Original	Revised	Impact	% Change
HCLF	\$4,566,105	\$4,404,936	(\$161,169)	-3.53%
LSS	\$576,808	\$513,503	(\$63,305)	-10.98%
ICLS	\$3,305,502	\$2,749,862	(\$555,640)	-16.81%
Safety Net	\$432,120	\$0	(\$432,120)	-100.00%
Totals	\$8,880,535	\$7,668,301	(\$1,212,234)	-13.65%
Loops	15,767	15,767	15,767	
USF/Loop/Year	\$563.24	\$486.35	(\$76.88)	-13.65%

<sup>\*</sup>Current NACPL of \$458.36

# **ATTACHMENT 2**

# A. Consolidated Balance Sheets

# Hill Country Telephone Cooperative Consolidated Balance Sheets

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Current Assets:										
Cash and cash equivalents										
Certificates of deposit										
Marketable securities										
Accounts receivable - telecommunications										
Accounts receivable - other										
Accounts receivable - affiliates										
Accounts receivable - other										
Interest receivable										
Materials and supplies										
Prepayments										
Deferred income taxes										
Total Current Assets										
Investments and Other Assets:										
Notes receivable										
Affiliate notes receivable										
Investment in lenders										
Investment in partnership				DED						
Investment in corporatations				KEDE	ACTED					
Investment in subsidiary										
Goodwill										
Deferred charges										
Deferred income taxes Total Investments and Other Assets	-									
Total Investments and Other Assets										
David Black I.E. Sand										
Property, Plant and Equipment:										
Telecommunications plant in service Telecommunications plant under construction										
Nonoperating plant, net										
Total PP&E										
Less: Accumulated depreciation										
Net Plant, Property and Equipment	-									
,										
Amortizable assets, net of amortization										
, and all all all all all all all all all al										
Total Assets										
Current Liabilities:										
Current maturities of existing long-term debt										
Current maturities of new RUS debt										
Current maturities of new private debt										
Deferred revenue - current portion										
Accounts payable - trade										
Accounts payable - affiliates										
Accounts payable - other										
Line of Credit										
Taxes accrued										
Other accrued liabilities										

# Hill Country Telephone Cooperative Consolidated Balance Sheets

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Deferred income taxes										
Customer deposits Total Current Liabilities										
Total Current Liabilities										
Long-Term Debt, Less Current Maturities:										
Existing long-term debt										
New RUS debt										
New private debt Affiliate notes										
Total Long-Term Debt										
rotal Long rotti Bebt	•		DI	EDACT	TI					
			VI	SDAC I	ED					
Other Liabilities and Deferred Credits:										
Deferred income taxes										
Deferred revenue - long-term portion										
Other deferrals	-									
Total Other Liabilities										
Total Liabilities										
Minority Interest in Partnership										
Stockholders' Equity										
Stock										
Additional paid-in capital										
Patronage capital										
Other capital										
Retained earnings										
Accumulated comprehensive income										
Total Stockholders' Equity	-									
T. (11) 1777 10(. 11 - 11 - 17 - 7										
Total Liabilities and Stockholders' Equity										

# **ATTACHMENT 2**

B. Consolidated Statements of Income

# Hill Country Telephone Cooperative Consolidated Statements of Income

-	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating revenues:										
Local voice services revenue										
Network access revenue										
USF revenue										
Toll/Long distance revenue										
Broadband revenue										
Dial-up revenue										
Video revenue										
Satellite revenue										
CPE Sales revenue										
Broadband - CLEC revenue										
Wireless Internet revenue										
Security Systems revenue										
Computer Repair revenue										
Leasing Revenue revenue										
Cellular Service revenue										
Business System revenue										
Other operating revenue										
Revenue amortization										
Less uncollectible revenue										
Total Operating Revenues	-					_				
Operating expenses:										
Internet expense			DE	DACT	LD					
Programming expense			NE.	DACI	ED					
Satellite COGS										
CPE Sales COGS										
Broadband - CLEC COGS										
Wireless Internet COGS										
Security Systems COGS										
Computer Repair COGS										
Leasing Revenue COGS										
Cellular Service COGS										
Business System COGS										
Plant specific operations expense										
Utilities expense										
Network maintenance expense										
Access expense										
Depreciation and amortization										
Sales and marketing expense										
Customer operations expense										
Corporate operations expense										
Property tax expense										
Total Operating Expenses	-									
Operating Income										
EBITDA										
Other Income (expense):										
Dividend income										
Interest income										
Gains (losses) from disposition of assets										
Gama (105565) Horri disposition di assets										

# Hill Country Telephone Cooperative Consolidated Statements of Income

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nonoperating income (loss) Income from subsidiaires Income from partnerships Earnings from investment securities Total Other Income										
Fixed charges: Interest on existing long-term debt Interest on new RUS debt Interest on new private debt Amortization of debt issuance expense Interest charged to construction - credit Interest on customer deposits										
Total Fixed Charges Income before Taxes on Income			R	EDAC'	TED					
Taxes on Income										
Margins before minority interest										
Minority interest in partnership										
Net income before comprehensive income										
Other comprehensive income (loss)										
Comprehensive Income										

# **ATTACHMENT 2**

C. Consolidated Cash Flow Statements

# Hill Country Telephone Cooperative Consolided Cash Flow Statements

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cash Flows from Operating Activities:									
Net Margins									
Adjustment to reconcile net margins to net cash provided by									
operating activities:									
Depreciation and amortization									
Deferred revenue									
Deferred income taxes									
Patronage									
Equity investment in consolidated affiliates									
Equity investments in unconsolidated companies									
Minority interest									
Changes in assets and liabilities:									
Receivables						_			
Materials and supplies									
Prepayments									
Goodwill									
Accounts payable			DED		$\Gamma$				
Deferred charges			KED	ACTE	D				
Customer deposits									
Taxes accrued									
Other accrued liabilities									
Other deferrals									
Accumulated comprehensive income									
Net cash provided by operating activities									
Capital expenditures Proceeds from sale (purchase) of investments Collections of notes receivables, net Net cash provided by investing activities									
Cash Flows from Financing Activities: Net borrowings (payments) on notes payable Proceeds from BIP grant Proceeds from new RUS debt Proceeds from new private loans Repayments of new RUS loans									
Repayments of new private loans Proceeds from sale of equity Share repurchase Dividend payments Patronage capital retired Funding Deficit (excess)									
Other, net									
Net cash provided by financing activities									
Net increase in cash and cash equivalents									
Cash and cash equivalents at beginning of year									
Cash and cash equivalents at end of year									

# **ATTACHMENT 2**

D. Consolidating Balance Sheets

#### Hill Country Telephone Cooperative Consolidating Balance Sheets

#### Year ended December 31, 2008

	Hill Country Telephone Cooperative	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Current Assets: Cash and cash equivalents Certificates of disposit Marketable securities Accounts receivable - titler communications Accounts receivable - other Accounts receivable - other Accounts receivable - other Interest receivable Marketable and supplies Deferred incorent suses Deferred incorent suses Total Current Assets											
Investments and Other Assets: Notes receivable Attitude notes receivable Attitude notes receivable Investment is lenders Investment is partnership Investment in coporatations Investment in coporatations Investment on Coporatations Investment on Subsidiary Goodwill Deferred charges Deferred charges											
Total Investments and Other Assets											
Property, Plant and Equipment: Telecommunications plant in service Telecommunications plant under construction Nonoperating plant, net Total PP&E Less: Accumulated depreciation Wer Print; Property and Equipment											
Amortizable assets, net of amortization				RE	DACT	ED					
Total Assets											
Current Labellities: Current maturities of easisting inon-term debt Current maturities of new RUS debt Current maturities of new RUS debt Current maturities of new Purch debt Deferrent revenue - current portion Accounts payable - trade Accounts payable - trade Accounts payable - trade CACOUNTS p											
Long-Term Debt, Less Current Maturities: Existing long-term debt New RUS debt New private debt Affiliate notes Total Long-Term Debt											
Other Liabilities and Deferred Credits: Deferred income taxes Deferred revenue - long-term portion Other deferrats Total Other Liabilities											
Total Liabilities	-										
Minority Interest in Partnership											
Stockholders' Equity Stock Additional paid-in capital Additional capital Collect capital Collect capital Retained earnings Accumulated comprehensive income											
Total Stockholders' Equity											
Total Liabilities and Stockholders' Equity											

Year ended December 31, 2009

	Hill Country Telephone	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Current Assets:	Cooperative										
Cultent Assets: Cash and cash equivalents Certificates of deposit Marketable securities Accounts receivable - eleccommunications Accounts receivable - other Accounts receivable - other Accounts receivable - other Accounts receivable - other											
Interest receivable Materials and supplies Prepayments											
Deferred income taxes Total Current Assets											
Investments and Other Assets:  Mail reconstitution of the Mail Assets  Mail reconstitution of the Mail Assets  Investment in individual investment in justification in limitation in investment in corporation investment in subsidiary Goodwill  Goodwill  Goodwill  Deferred income tasset  Deferred income tasset  Total investments and Other Assets											
Property, Plant and Equipment: Telecommunications plant in service Telecommunications plant under construction Nonoperating plant, net Total PP&E											
Less: Accumulated depreciation Net Plant, Property and Equipment				RED	ACTE	D					
Amortizable assets, net of amortization											
Total Assets											
Cument Labilities: Current manturlies of new RUS debt Current manturlies of new RUS debt Current manturlies of new private debt Deferrent evenue - current portion Accounts payable—trable Accounts payable—trable Accounts payable—trable Accounts payable—other Lube of Oxedi To Other accrued labilities Deferred income taxes Customer deposits Total Current Liabilities											
Long-Term Debt, Less Current Maturities: Existing long-term debt New RUS debt New private debt Affiliate notes Total Long-Term Debt											
Other Liabilities and Deferred Credits: Deferred income taxes Deferred revenue - long-term portion Other deferrals											
Total Other Liabilities											
Total Liabilities											
Minority Interest in Partnership											
Stockholders' Equity Stock Additional paid-in capital Patronage capital Other capital Retained earnings											
Accumulated comprehensive income Total Stockholders' Equity											
Total Liabilities and Stockholders' Equity											

Year ended December 31, 2010

	Hill Country Telephone	нстн	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
	Cooperative			-200			-300	-301	_000		
Current Assets:											
Cash and cash equivalents											
Certificates of deposit											
Marketable securities Accounts receivable - telecommunications											
Accounts receivable - telecommunications Accounts receivable - other											
Accounts receivable - affiliates											
Accounts receivable - other											
Interest receivable											
Materials and supplies											
Prepayments											
Deferred income taxes Total Current Assets											
Total Current Assets											
Investments and Other Assets:											
Notes receivable											
Affiliate notes receivable Investment in lenders											
Investment in lenders Investment in partnership											
Investment in corporatations											
Investment in subsidiary											
Goodwill											
Deferred charges											
Deferred income taxes Total Investments and Other Assets											
Total Investments and Other Assets											
Property, Plant and Equipment:											
Telecommunications plant in service							7				
Telecommunications plant under construction							1				
Nonoperating plant, net							1				
Total PP&E Less: Accumulated depreciation							1				
Net Plant, Property and Equipment											
rect rain, repety and Equipment				D	A COTT	10					
				REL	ACTE	D					
Amortizable assets, net of amortization											
Total Assets											
Total Assets											
Current Liabilities:											
Current maturities of existing long-term debt							_				
Current maturities of new RUS debt											
Current maturities of new private debt											
Deferred revenue - current portion Accounts payable - trade											
Accounts payable - iffiliates											
Accounts payable - other											
Line of Credit											
Taxes accrued											
Other accrued liabilities Deferred income taxes											
Customer deposits											
Total Current Liabilities											
Total Gariett Endinacia											
Long-Term Debt, Less Current Maturities:											
Existing long-term debt											
New RUS debt New private debt											
Affiliate notes											
Total Long-Term Debt											
Other Liabilities and Deferred Credits:											
Deferred income taxes Deferred revenue - long-term portion											
Other deferrals											
Total Other Liabilities											
Total Liabilities											
Minority Interest in Partnership											
minority interest in a different p											
Stockholders' Equity											
Stock											
Additional paid-in capital											
Patronage capital Other capital											
Retained earnings											
Accumulated comprehensive income											
Total Stockholders' Equity											
Total Liabilities and Stockholders' Equity											
rotal Elabilities and Stockholders Equity											

Year ended December 31, 2011

	Hill Country										
	Telephone	нстн	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Current Assets:	Cooperative										
Carrent Assets: Cash and cash equivalents											
Certificates of deposit											
Marketable securities											
Accounts receivable - telecommunications											
Accounts receivable - other											
Accounts receivable - affiliates											
Accounts receivable - other											
Interest receivable											
Materials and supplies											
Prepayments											
Deferred income taxes											
Total Current Assets											
Investments and Other Assets:											
Notes receivable											
Affiliate notes receivable											
Investment in lenders											
Investment in partnership											
Investment in corporatations											
Investment in subsidiary											
Goodwill											
Deferred charges											
Deferred income taxes Total Investments and Other Assets											
Total Investments and Other Assets											
Property, Plant and Equipment:											
Telecommunications plant in service											
Telecommunications plant under construction							1				
Nonoperating plant, net											
Total PP&E											
Less: Accumulated depreciation											
Net Plant, Property and Equipment											
Amortizable assets, net of amortization				BED	ACTE	D					
Amortizable assets, net of amortization				KED	ACIL	D					
Total Assets											
Current Liabilities:											
Current maturities of existing long-term debt											
Current maturities of new RUS debt							,				
Current maturities of new private debt											
Deferred revenue - current portion											
Accounts payable - trade											
Accounts payable - affiliates											
Accounts payable - other Line of Credit											
Taxes accrued											
Other accrued liabilities											
Deferred income taxes											
Customer deposits											
Total Current Liabilities											
Total Current Labinics											
Long-Term Debt, Less Current Maturities:											
Existing long-term debt											
New RUS debt											
New private debt											
Affiliate notes											
Total Long-Term Debt											
Other Liabilities and Deferred Credits:											
Deferred income taxes											
Deferred revenue - long-term portion											
Other deferrals											
Total Other Liabilities		_	_	_	_				-		-
Total Liabilities											
Total Liabilities											
Minority Interest in Partnership											
whomy meres in randicismp											
Stockholders' Equity											
Stock											
Additional paid-in capital											
Patronage capital											
Other capital											
Retained earnings											
Accumulated comprehensive income											
Total Stockholders' Equity	-										
Total Liabilities and Stockholders' Equity											

Year ended December 31, 2012

	Hill Country										
	Telephone	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Current Assets:	Cooperative										
Current Assets: Cash and cash equivalents											
Certificates of deposit											
Marketable securities											
Accounts receivable - telecommunications											
Accounts receivable - other											
Accounts receivable - affiliates											
Accounts receivable - other											
Interest receivable											
Materials and supplies											
Prepayments Deferred income taxes											
Total Current Assets											
Investments and Other Assets:											
Notes receivable											
Affiliate notes receivable											
Investment in lenders											
Investment in partnership											
Investment in corporatations											
Investment in subsidiary											
Goodwill Deferred charges											
Deferred income taxes											
Total Investments and Other Assets	-										
Bronothy Blant and Equipmo-*											
Property, Plant and Equipment: Telecommunications plant in service											
Telecommunications plant in service  Telecommunications plant under construction											
Nonoperating plant, net											
Total PP&E											
Less: Accumulated depreciation											
Net Plant, Property and Equipment			_								
				DED 4	~						
Amortizable assets, net of amortization				<b>REDA</b>	CTED						
Total Assets											
Current Liabilities:											
Current Liabilities: Current maturities of existing long-term debt											
Current maturities of new RUS debt											
Current maturities of new private debt											
Deferred revenue - current portion											
Accounts payable - trade											
Accounts payable - affiliates											
Accounts payable - other											
Line of Credit Taxes accrued											
Other accrued liabilities											
Deferred income taxes											
Customer deposits											
Total Current Liabilities											
Long-Term Debt, Less Current Maturities:											
Existing long-term debt											
New RUS debt											
New private debt											
Affiliate notes											
Total Long-Term Debt											
Other Liabilities and Deferred Credits:											
Deferred income taxes Deferred revenue - long-term portion											
Other deferrals											
Total Other Liabilities											
Total Liabilities											
Total Entolitics											
Minority Interest in Partnership											
Stockholders' Equity											
Stock											
Additional paid-in capital											
Patronage capital Other capital											
Retained earnings											
Accumulated comprehensive income											
Total Stockholders' Equity		_				_		_			
Total Liabilities and Stockholders' Equity											
					-	-					

#### Year ended December 31, 2013

	Hill Country										
	Telephone	нстн	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Current Assets:	Cooperative										
Current Assets: Cash and cash equivalents											
Certificates of deposit											
Marketable securities											
Accounts receivable - telecommunications											
Accounts receivable - other											
Accounts receivable - affiliates											
Accounts receivable - other											
Interest receivable											
Materials and supplies											
Prepayments											
Deferred income taxes											
Total Current Assets											
Investments and Other Assets:											
Notes receivable											
Affiliate notes receivable											
Investment in lenders											
Investment in partnership											
Investment in corporatations											
Investment in subsidiary Goodwill											
Deferred charges											
Deferred income taxes											
Total Investments and Other Assets											
Property, Plant and Equipment:											
Telecommunications plant in service											
Telecommunications plant under construction Nonoperating plant, net											
Nonoperating plant, net Total PP&E			_			-					
Less: Accumulated depreciation											
Net Plant, Property and Equipment											
Amortizable assets, net of amortization											
Amortizable assets, net or amortization				DED		_					
				RED	ACTEI	)					
Total Assets						_					
Current Liabilities:											
Current maturities of existing long-term debt											
Current maturities of new RUS debt											
Current maturities of new private debt											
Deferred revenue - current portion Accounts payable - trade											
Accounts payable - affiliates											
Accounts payable - other											
Line of Credit											
Taxes accrued											
Other accrued liabilities											
Deferred income taxes											
Customer deposits											
Total Current Liabilities											
Long-Term Debt, Less Current Maturities:											
Existing long-term debt											
New RUS debt											
New private debt											
Affiliate notes	-										
Total Long-Term Debt											
Other Liabilities and Deferred Credits:											
Deferred income taxes											
Deferred revenue - long-term portion											
Other deferrals Total Other Liabilities	-										
Total Other Liabilities											
Total Liabilities											
Minority Interest in Partnership											
willonly interest in rathership											
Stockholders' Equity											
Stock											
Additional paid-in capital											
Patronage capital											
Other capital Retained earnings											
Accumulated comprehensive income											
Total Stockholders' Equity											
	-										
Total Liabilities and Stockholders' Equity											
rotal clabilities and Stockholders Equity											

Year ended December 31, 2014

-	Hill Country Telephone	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Current Assets: Cash and cash equivalents Certificiates disposit Marketable securities electromarketable securities Accounts receivable - other Accounts receivable - other Accounts receivable - other	Cooperative										
Interest receivable Materials and supplies Prepayments Deferred income taxes Total Current Assets											
Investments and Other Assets: Notes receivable Affiliate notes receivable Investment in lenders Investment in partnership Investment in partnership Investment in corporatations Investment is abubdiary Goodwill Deferred charges Deferred income taxes Total Investments and Other Assets											
Property, Plant and Equipment: Telecommunications plant in service Telecommunications plant under construction Nonoperating plant, net Total PP&E Less: Accountated depreciation											
Net Plant, Property and Equipment											
Amortizable assets, net of amortization				D = D .							
Total Assets				REDA	CTEL	)					
Current Lubbilities: Corrent maturalises of rese RLIS debt Current maturalises of rese RLIS debt Current maturalises of rese RLIS debt Current maturalises of rese proteine debt Deferrent revenue - current portion Accounts payable - trade Accounts payable - trade Accounts payable - and Accounts payable - debt Taxes accound Other accounded Other accounded Debt accounded Debt accounded Debt accounded Taxes accounted Taxes account											
Long-Term Debt, Less Current Maturities: Existing long-term debt New RUS debt New private debt Affiliate notes Total Long-Term Debt											
Other Liabilities and Deferred Credits: Deferred income taxes Deferred revenue - long-term portion Other deferrals Total Other Liabilities											
Total Liabilities											
Minority Interest in Partnership											
Stockholden's Equity Stock Additional paid-in capital Patronage capital Other capital Retained earnings Accumulated comprehensive income											
Total Stockholders' Equity											
Total Liabilities and Stockholders' Equity											

#### Year ended December 31, 2015

-	Hill Country										
	Telephone	нстн	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Current Assets:	Cooperative										
Cash and cash equivalents											
Certificates of deposit											
Marketable securities											
Accounts receivable - telecommunications											
Accounts receivable - other											
Accounts receivable - affiliates Accounts receivable - other											
Interest receivable											
Materials and supplies											
Prepayments											
Deferred income taxes											
Total Current Assets											
Investments and Other Assets:											
Notes receivable											
Affiliate notes receivable											
Investment in lenders											
Investment in partnership Investment in corporatations											
Investment in subsidiary											
Goodwill											
Deferred charges											
Deferred income taxes											
Total Investments and Other Assets	-										
Property, Plant and Equipment:											
Telecommunications plant in service											
Telecommunications plant under construction							-				
Nonoperating plant, net Total PP&E	-						-				
Less: Accumulated depreciation											
Net Plant, Property and Equipment											
Amortizable assets, net of amortization				DED		_					
				RED	<b>ACTE</b>	D					
Total Assets											
Current Liabilities:											
Current maturities of existing long-term debt											
Current maturities of new RUS debt											
Current maturities of new private debt Deferred revenue - current portion											
Accounts payable - trade											
Accounts payable - affiliates											
Accounts payable - other											
Line of Credit											
Taxes accrued Other accrued liabilities											
Deferred income taxes											
Customer deposits											
Total Current Liabilities											
Long-Term Debt, Less Current Maturities:											
Existing long-term debt											
New RUS debt											
New private debt											
Affiliate notes Total Long-Term Debt											
rotal cong-rerm Debt											
Other Liabilities and Deferred Credits:											
Deferred income taxes Deferred revenue - long-term portion											
Deferred revenue - long-term portion Other deferrals											
Total Other Liabilities	-										
Total Liabilities											
Total Elabilities											
Minority Interest in Partnership											
Stockholders' Equity											
Stock											
Additional paid-in capital											
Patronage capital											
Other capital Retained earnings											
Accumulated comprehensive income											
Total Stockholders' Equity											
Total Liabilities and Stockholders' Equity											

Year ended December 31, 2016

	Hill Country Telephone	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Current Assets: Cash and cash equivalents Certificates of deposit Marketable securities	Cooperative										
Accounts receivable - telecommunications Accounts receivable - other Accounts receivable - affiliates Accounts receivable - other											
Interest receivable Materials and supplies Prepayments Deterred income taxes											
Total Current Assets											
Investments and Other Assets: Notes receivable Affiliate notes receivable Investment in lenders Investment in partnership Investment in corporatations Investment in outporatations Investment in subsidiary											
Goodwill Deferred charges											
Deferred income taxes Total Investments and Other Assets											
Property, Plant and Equipment: Telecommunications plant in service Telecommunications plant under construction Nonoperating plant, net Total PP&E											
Less: Accumulated depreciation  Net Plant, Property and Equipment											
Amortizable assets, net of amortization				RED	ACTE	D					
Total Assets											
Current Labilities: Current maturities of new RUS debt Current maturities of new RUS debt Current maturities of new Pusi debt Current maturities of new private debt Deterrent revenue - current portion Accounts payable - trafile Accounts payable - trafiless Accounts payable - defined Accounts payable - defined Accounts payable - defined Accounts payable - defined Credit Taxes accound Other accound Other accound Other accound Taxes account taxes Customer deposits Total Current Labilities											
Long-Term Debt, Less Current Maturities: Existing long-term debt New RUS debt New private debt Affiliate noties Total Long-Term Debt											
Other Liabilities and Deferred Credits: Deferred income taxes Deferred revenue - long-term portion Other deferreds Total Other Liabilities											
Total Liabilities											
Minority Interest in Partnership											
Stockholden' Equity Stock Addisonal paid-in capital Patronage capital Other capital Retained samings Accumulated comprehensive income											
Total Stockholders' Equity											
Total Liabilities and Stockholders' Equity											

Year ended December 31, 2017

	Hill Country Telephone Cooperative	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Current Assets: Cash and cash equivalents Cartificates of deposit Markstable securities Accounts receivable - other Accounts receivable - othe											
Total Culterit Assets											
Investments and Other Assets: Notes receivable Affisian notes receivable Investment in lenders Investment in jeartnesship Investment in jeartnesship Investment in jeartnesship Investment in jeartnesship Investment in subsidiary Goodwill Deferred charges Deferred income taxes Total Investments and Other Assets											
Property, Plant and Equipment: Telecommunications plant in service Telecommunications plant under construction Nonoperating plant, net Total PPAE											
Less: Accumulated depreciation Net Plant, Property and Equipment											
Amortizable assets, net of amortization											
Total Assets			F	REDAC	TED						
Current Liabilities: Current maturities of existing long-term debt Current maturities of new RUS debt Current maturities of new RUS debt Deferred revenie - currier portion Accounts payable - order Accounts payable - order Line of Credit Taxea accrued Other accrued tabilities Deferred income taxes Customer deposits Total Current Liabilities Total Current Liabilities											
Long-Term Debt, Less Current Maturities: Existing long-term debt New RUS debt New provised debt Affiliate notes Total Long-Term Debt											
Other Liabilities and Deferred Credits: Deferred income taxes Deferred revenue - long-term portion Other deferrals Total Other Liabilities											
Total Liabilities											
Minority Interest in Partnership											
Stockholders' Equity Stock Additional paid-in capital Patronage capital Other capital Retained earnings Accumulated comprehensive income											
Total Stockholders' Equity											
Total Liabilities and Stockholders' Equity											

# **ATTACHMENT 2**

E. Consolidating Statements of Income

#### Hill Country Telephone Cooperative Consolidating Statements of Income

Year ended December 31, 2008

	Hill Country Telephone	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Operating revenues:	Cooperative										
Operating revenues: Local voice services revenue											
Network access revenue											
USF revenue											
Toll/Long distance revenue											
Broadband revenue											
Dial-up revenue											
Video revenue											
Satellite revenue CPE Sales revenue											
Broadband - CLEC revenue											
Wireless Internet revenue											
Security Systems revenue											
Computer Repair revenue											
Leasing Revenue revenue											
Cellular Service revenue											
Business System revenue Other operating revenue											
Revenue amortization											
Less uncollectible revenue											
Total Operating Revenues											
. •											
Operating expenses:											
Internet expense											
Programming expense Satellite COGS											
CPE Sales COGS											
Broadband - CLEC COGS											
Wireless Internet COGS							1				
Security Systems COGS											
Computer Repair COGS											
Leasing Revenue COGS											
Cellular Service COGS											
Business System COGS Plant specific operations expense				DE	DACT	ED					
Utilities expense				KE.	DACI	CD					
Network maintenance expense											
Access expense											
Depreciation and amortization											
Sales and marketing expense											
Customer operations expense											
Corporate operations expense											
Property tax expense							_				
Total Operating Expenses											
Operating Income											
EBITDA											
Other Income (expense):											
Dividend income											
Interest income											
Gains (losses) from disposition of assets Nonoperating income (loss)											
Income from subsidiaires											
Income from partnerships											
Earnings from investment securities											
Total Other Income											
Fixed charges:											
Interest on existing long-term debt Interest on new RUS debt											
Interest on new RUS debt											
Amortization of debt issuance expense											
Interest charged to construction - credit											
Interest on customer deposits											
Total Fixed Charges											
Income before Taxes on Income											
Taxes on Income											
Margins before minority interest											
Minority interest in partnership											
Net income before comprehensive income											
Other comprehensive income (loss)											
Comprehensive Income											
Sompromonero moonid											

Minority Interest in Partnership Beginning Balance Additions Reductions Ending Balance		
Stock Previous years' balance Proceeds from sale of shares Share repurchase Year end balance		
Additional paid-in-capital Previous years' balance Proceeds from sale of shares Share repurchase Year end balance		
Patronage capital Previous years' balance Capital credits retired Other Year end balance	REDACTED	
Other capital Previous years' balance Additions Reductions Year end balance		
Retained earnings Previous years' balance Net income Dividends Other Year end balance		
Other comprehensive income adjustments Previous years' balance Additions Reductions Balanca at Year end		

Year ended December 31, 2009

	Hill Country										
	Telephone	нстн	HCT	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Operating revenues:	Cooperative										
Local voice services revenue Network access revenue											
USF revenue											
Toll/Long distance revenue											
Broadband revenue											
Dial-up revenue Video revenue											
Satellite revenue											
CPE Sales revenue											
Broadband - CLEC revenue											
Wireless Internet revenue Security Systems revenue											
Computer Repair revenue											
Leasing Revenue revenue											
Cellular Service revenue Business System revenue											
Other operating revenue											
Revenue amortization											
Less uncollectible revenue											
Total Operating Revenues											
Operating expenses:											
Internet expense Programming expense											
Satellite COGS											
CPE Sales COGS Broadband - CLEC COGS											
Wireless Internet COGS											
Security Systems COGS											
Computer Repair COGS Leasing Revenue COGS											
Cellular Service COGS											
Business System COGS			١ ,	DEDAG	TTTT						
Plant specific operations expense			J	REDAC	IED						
Utilities expense Network maintenance expense											
Access expense											
Depreciation and amortization											
Sales and marketing expense Customer operations expense											
Corporate operations expense											
Property tax expense Total Operating Expenses											
Total Operating Expenses											
Operating Income											
EBITDA											
Other Income (expense):											
Dividend income											
Interest income											
Gains (losses) from disposition of assets Nonoperating income (loss)											
Income from subsidiaires											
Income from partnerships											
Earnings from investment securities Total Other Income											
Fixed charges:											
Interest on existing long-term debt											
Interest on new RUS debt											
Interest on new private debt Amortization of debt issuance expense											
Interest charged to construction - credit											
Interest on customer deposits Total Fixed Charges											
Income before Taxes on Income											
Taxes on Income	•										
Margins before minority interest											
Minority interest in partnership											
Net income before comprehensive income											
Other comprehensive income (loss)											
Comprehensive Income											

Minority Interest in Partnership Beginning Balance Additions Reductions Ending Balance		 
Stock Previous years' balance Proceeds from sale of shares Share repurchase Year end balance		 
Additional paid-in-capital Previous years' balance Proceeds from sale of shares Share repurchase		
Year end balance Patronage capital Previous years' balance Capital credits retired Other Year end balance	 REDACTED	
Other capital Previous years' balance Additions Reductions Year end balance		 
Retained earnings Previous years' balance Net income Dividends Other Year end balance		
Other comprehensive income adjustments Previous years' balance Additions Reductions Relations		

Year ended December 31, 2010

Company marrier  Company marrier  Manch Sport recruit  Manch Sport recru		Hill Country	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Local for searces reviews  15 dictions glastice reviews  15 dictio		Telephone Cooperative	нстн	HCI	Sub3	Sub4	Sub5	Sub6	Sub/	Subs	Eliminations	lotal
Material framework members of the control of the co												
High records and record and the second and the seco												
Soudard orword  Motor format  Sate answer  Compare Regar mome  Colled Sories recent  Col	USF revenue											
Duting memory  CPE Solar morean  CPE Solar morean  Called Sorar more more more more more more more mor	Toll/Long distance revenue											
Victor recovers and services of the control of the												
DET Som monume Translation CLUE formation South by South Services were Serviced services South Services were Serviced services South S												
Bookstock CLES revenue Caraque Risear revenue Caraque Risear revenue Busines Sylvene Revenue Busines Busines COSB Busines GOSB Busine												
Wiles Express frames Lasing Servan in recents Congress financial recents Lasing Servan in recents Congress financial recents Congress financial recents Congress financial recents Tatal Operating Servanus Serving COCO Servanus Reparts Serving Servin	CPE Sales revenue											
Southy Systems remain Called Sorvice remain Called Sorvice remain Called Sorvice remain Called Sorvice remain Remains and remains Remains Remains and remains												
Learing Norman revenue Offer coording services Offer coording services Charles Coording services Tatal Operating services Tatal Operating services Seedine COOS Operating services Seedine COOS OPP Sees COOS OPP SE	Security Systems revenue											
Collair force revenue  Recentury amonistration Recentury amonistration Recentury amonistration Tail Operating Personan Tail Operating Systems Programming agentse Interest agentse Programming agentse Interest agentse Recentury agentse Interest agentse Recentury agentse REDACTED  RECENTURY agentse REDACTED  Other Source (agentse) Recentury agentse Recentury agentse REDACTED  Other Source (agentse) Recentury agentse REDACTED  Other Source (agentse) Recentury agentse Recentury ag	Computer Repair revenue											
Business System revows Less unchrichter entens Total Operating personane Less unchrichter entens Programming expresses Hongamming expresses Brownbard CLEE COST Brownb												
Remons ammittation Table Quanting Remonse Table Quanting Remonse Hormon sparene H	Business System revenue											
Coperating expenses Programming expenses Programming expenses Programming expenses Programming expenses Basiliate COGS Basiliate COGS Basiliate COGS Socially System COGS Socially System COGS Socially System COGS Calcular System COGS Calcula												
Total Operating promotes Internet experience Security Systems COOS Security Systems COOS Company Repear COOS Security Systems COOS Company Repear COOS Security Systems COOS Sec	Less uncollectible revenue											
Internation separate reports of Programming second												
Internation separate reports of Programming second												
Internation separate reports of Programming second	Operating expenses:											
Santifut COSS UNited su Internat COSS Socrity Systems COSS Comprise Report COSS Comprise Report COSS Socrity Systems COSS Districtes Systems Systems Districtes COSS Districtes Systems Districtes COSS Districtes Systems Districtes COSS Districtes COSS Districtes Systems Districtes COSS	Internet expense											
CPIE Size COOS Incustation - CLEC COOS Secusity Systems COOS Compair Report COOS Leasing Revenue COOS Basiness Systems COOS Plast spacific operations expense Nessor maniferance expense Across sequence Properly the sequence Cooperate operations expense Properly the sequence Cooperate operations expense Properly the sequence Properly the sequence Cooperate operations expense Properly the sequence Properly the sequence Cooperate operations expense Properly the sequence Cooperate operation operation of seates Nonosemany occurre (sepanse) Learning from revestment securities Test TOA Control (sepanse) Estimated from revestment securities Test Properly often meeting one often died Interest on comment of securities Test Properly one of the season or sequence Memory of the season of the season or sequence Memory of the season of the season or sequence Memory of the season of the season or sequence Memory of the season of the season of the season or sequence Memory of the season of th	Programming expense Satellite COGS											
Westers Starters COOS Security Systems COOS Cultural Service COOS Business System COOS Business System COOS Business System COOS Cultural Service COOS Business System COOS Business System COOS Cultural Service Cooperate Network maintenance appears Cooperate	CPE Sales COGS											
Security Systems COGS Laseing Revenue COGS Laseing Revenue COGS Part specific operations expense Unified systems Across separation Depreciation and mandrating expense Across separation Depreciation and mandrating expense Cogneting florations expense Properly in expense Cogneting floration expense Properly in expense Cogneting floration expense Properly in expense Cogneting floration expense Properly in expense Code floration florati	Broadband - CLEC COGS											
Compart Repeir COGS Learing Revenue COGS Bariness System COGS Comparts Repeir Cognition sequence Utilities systems Despression and amortization Sales and marketing expense Customer operators a expense Customer operators are press Ciprenting periodic sequence Customer operators are press Ciprenting Income EBITDA  Other Income (expense) Deviced income Caster Income (expense) Deviced income Income from subdissioner of assets Nonoparating income (loss) Income from subdissioner Locard for partnership Locard for Income (expense) Total Other Income Interest on new prices doubt Interest on new prices												
Learing Reversed COSS Business System Coss Business COSS Business System Coss Business COSS Business COSS Business COSS Business System Coss Business COSS B	Computer Repair COGS											
Business System COGS Plant specific operations congrenal Utilities systema Plant specific operations and amortization Sales and manafacting apenane Country operations systems Country operations systems Total Coperating Expenses Total Coperating Expenses  Copera	Leasing Revenue COGS											
First specific operations appears  Network mainterance species  Network mainterance species  Network mainterance species  Sales and marketing experies  Coprose operations appears  Coprose operations												
Nitrodic maintenance superine Access expense Access expense Contron operations expense Contron operations expense Contron operations expense Contron operations expense Property lax expense Property lax expense Total Operating Expenses  Operating Income EBITIA  Obtain tozonic (sporant): Income from adoptation of assets Non-operating income (such access income (such	Plant specific operations expense											
Access experience Despectation and amortisation Despectation and amortisation Customer operations expense Customer operations expense Properly tax expense Properly tax expense Total Operating Expenses  Coloration (expense) Despectation and provided and the coloration of the coloration expense  Coloration (expense) Despectation and the coloration of the					DEDA	OTED						
Despeciation and amoritaation Sales and manifesting expense Customer operations expense Customer operations septense Properating income  ###################################	Network maintenance expense				KEDA	CTED						
Sales and marketing expense Corporate operations expense Corporate operations expense Projectly tax expenses Total Operating Expenses  Operating Expenses  Operating Expenses  Disad Conne (expense): Disadded income Interest income Caine (losses) from disposition of assets Nonoperating income (tes) Income from partnerships Income from partnerships Income from partnerships Income from testers treutifies Total Other Income  Fixed charges: Interest on new RUS debt Interest on constrond expenses Interest on expense debt expenses Interest on charge on Income Interest Charges Income before Taxes on Income  Margins before minority interest Minority interest in partnership  Net income before comprehensive income Other comprehensive income (loss)												
Corporation scenarios expenses Total Operating Expenses  Operating Expenses  Operating Expenses  Operating Expenses  Operating Expenses  Obtain come recognises (cases) from disposition of assets Exercise (sases) from disposition of assets Nonoperating income (loss) Income from subsidiaries Income from subsidiaries Income from subsidiaries Income from subsidiaries Inferest on existing long-term dish Inferest on existing lon	Sales and marketing expense											
Properly tax expense Total Operating Expenses  ### Commerce (expense)    Dividend (norme)   Interest income (expense):   Dividend (norme)   Interest income (expense):   Dividend (norme)   Interest or expense):   Dividend (norme)   Interest or expense):   Dividend (norme)   Interest or expense):   Dividend (norme)	Customer operations expense											
Operating Income  EBITOA  Other Income (eyested): Divident income (eyested): Can's (lesses) Iron disposition of assets Nonoperating income (loss) Income from subsidiations Interest on eyested (eyested): Interest on eyested (eyested): Interest on eyested (eyested): Interest on eye NLS debt Interest on eye private debt Interest on eye private debt Interest on eye private debt Interest charged to construction - rendt Interest charged to construction - credit Interest Charges Income before Taxes on income  Taxes on income  Margins before minority interest  Minority interest in partnership Net income before comprehensive income  Other comprehensive income (loss)	Corporate operations expense											
Cher Income (expense): Dividend income  Game (besse) from disposition of assets Nonoperating income (tosx) Income from subsidiaries Income from partnerships Earnings from investment securities Total Other Income  Fixed charges: Interest on existing long-term debt Interest on subsidiaries Income while debt Interest on customer deposite Interest on customer deposite Interest on customer deposite Income before Taxes on Income  Taxes on Income  Margins before minority interest Minority interest in partnership Net income before comprehensive income Other comprehensive income (loss)				_								
Cher Income (expense): Dividend income Interest income Grown disposition of assets Grown disposition of assets Income from subtidiaries Interest on existing long-term debt Interest on existing												
Other Income (expense): Divident income Gains (losses) from disposition of assets Nonoperating income (loss) Income from subsidiaires Income from partnerships Earnings from investment securities Total Other Income  Fixed charges: Interest on existing long-term debt Interest on exprivate debt Interest on exprivate debt Interest on debt interest on expense Interest on constitute of debt issuance expense Interest on constitute of Charges Income before Taxes on Income  Taxes on Income Margins before minority interest Minority interest in partnership Net income before comprehensive income  Other comprehensive income (loss)												
Dividend income Clains (losses) from disposition of assets Nonoperating income (loss) Income from subsidiaries Income from partnerships Earnings from investment securities Total Other Income  Fixed charges: Interest on ew RTUS debt Interest on countrier deposits Total Fixed Charges Income before Taxes on Income  Taxes on Income  Margins before minority interest Minority interest in partnership Net income before comprehensive income  Other comprehensive income (loss)	EBITDA											
Dividend income Clains (losses) from disposition of assets Nonoperating income (loss) Income from subsidiaries Income from partnerships Earnings from investment securities Total Other Income  Fixed charges: Interest on ew RTUS debt Interest on customer deposits Total Fixed Charges Income before Taxes on Income  Taxes on Income  Margins before minority interest Minority interest in partnership Net income before comprehensive income  Other comprehensive income (loss)	Other Income (expense):											
Gains (losses) from disposition of assets Nonoperating income (fors.) Income from subsidializes Income from partnerships Earnings from investment securities Total Other Income  Fixed charges: Interest on existing long-term debt Interest on existing long-term debt Interest on new PLIS debt Interest on new private debt Anontziation of debt issuance expense Interest charged to construction - credit Interest charged to construction - credit Interest on customer deposits Total Fixed Charges Income before Taxes on Income  Margins before minority interest  Minority interest  Minority interest in partnership  Net income before comprehensive income  Other comprehensive income (loss)	Dividend income											
Nonoperating income (loss) Income from partnerships Earnings from investment securities Total Other Income  Fixed charges: Interest on existing long-term debt Interest on customer deposits Total Fixed Charges Income before Taxes on Income  Taxes on Income  Margins before minority interest  Minority interest in partnership  Net income before comprehensive income  Other comprehensive income (loss)	Interest income											
Income from subsidializes Income from partnerships Earnings from investment securities Total Other Income  Fixed charges: Interest on existing long-term debt Interest on new RUS debt Interest on new private debt Amortization of debt issuance expense Interest charged to construction - credit Interest on newsortered deposits Total Fixed Charges Income before Taxes on Income  Margins before minority interest  Minority interest in partnership  Net income before comprehensive income  Other comprehensive income (loss)												
Earnings from investment securities Total Other Income  Fixed charges: Interest on existing long-term debt Interest on new RUS debt Interest on one private debt Amortization of debt issuance expense Interest charged to construction - credit Interest charged to construction - credit Interest charged to construction or construction - credit Interest on new RUS and income Income before Taxes on Income  Margins before minority interest  Minority interest in partnership  Net income before comprehensive income  Other comprehensive income (loss)	Income from subsidiaires											
Total Other Income  Fixed charges: Interest on existing long-term debt Interest on existing of debt issuance expense Interest charged to construction - dredit Interest on customer deposits Total Fixed Charges  Income before Taxes on Income  Taxes on Income  Margins before minority interest  Minority interest in partnership  Net income before comprehensive income  Other comprehensive income (loss)												
Interest on existing long-term debt Interest on ever XUS debt Interest on ever VIVS debt Interest on ever VIVS debt Interest on ever private debt Amortization of debt issuance expense Interest charged to construction - credit Interest on outsomer deposits  Total Fixed Charges  Income before Taxes on Income  Margins before minority interest  Minority interest in partnership  Net income before comprehensive income  Other comprehensive income (loss)	Earnings from investment securities											
Interest on existing long-term debt Interest on new RUS debt Interest on new private debt Amortization of debt issuance expense Interest on customer deposits Total Face Charges Income before Taxes on Income  Taxes on Income Margins before minority interest Minority interest in partnership Net income before comprehensive income  Other comprehensive income (loss)	rotal Guildi Income											
Interest on existing long-term debt Interest on new RUS debt Interest on new private debt Amortization of debt issuance expense Interest on customer deposits Total Fixed Charges Income before Taxes on Income  Taxes on Income Margins before minority interest Minority interest in partnership Net income before comprehensive income  Other comprehensive income (loss)												
Interest on new RUS debt Interest on one private debt Amortization of debt issuance expense Interest and expense or construction - credit Interest on customer deposits Total Fixed Charges  Income before Taxes on Income  Margins before minority interest  Minority interest in partnership  Net income before comprehensive income  Other comprehensive income (loss)	Fixed charges:											
Interest on new private debt Amortization of debt Issuance expense Interest charged to construction - credit Interest on customer deposits Total Flave Charges  Income before Taxes on Income  Taxes on Income  Margins before minority interest  Minority interest in partnership  Net income before comprehensive income  Other comprehensive income (loss)												
Interest charged to construction - credit Interest on upstomer deposits  Total Fixed Charges  Income before Taxes on Income  Taxes on Income  Margins before minority interest  Minority interest in partnership  Net income before comprehensive income  Other comprehensive income (loss)	Interest on new private debt											
Interest on customer deposits Total Fixed Charges  Income before Taxes on Income  Taxes on Income  Margins before minority interest  Minority interest in partnership  Net income before comprehensive income  Other comprehensive income (loss)												
Total Fixed Charges Income before Taxes on Income  Taxes on Income Margins before minority interest Minority interest in partnership Net income before comprehensive income  Other comprehensive income (loss)	Interest charged to construction - credit Interest on customer deposits											
Taxes on Income  Margins before minority interest  Minority interest in partnership  Net income before comprehensive income  Other comprehensive income (loss)		-										
Margins before minority interest  Minority interest in partnership  Net income before comprehensive income  Other comprehensive income (loss)	Income before Taxes on Income											
Minority interest in partnership  Net income before comprehensive income  Other comprehensive income (loss)	Taxes on Income											
Net income before comprehensive income  Other comprehensive income (loss)	Margins before minority interest											
Other comprehensive income (loss)	Minority interest in partnership											
	Net income before comprehensive income											
Comprehensive Income	Other comprehensive income (loss)											
	Comprehensive Income											

Minority Interest in Partnership Beginning Balance Additions Reductions Ending Balance		
Stock Previous years' balance Proceeds from sale of shares Share repurchase Year end balance		
Additional paid-in-capital Previous years' balance Proceeds from sale of shares Share repurchase Year end balance		
Patronage capital Previous years' balance Capital credits retired Other Year end balance	 REDACTED	
Other capital Previous years' balance Additions Reductions Year end balance		
Retained earnings Previous years' balance Net income Dividends Other Year end balance		
Other comprehensive income adjustments Previous years' balance Additions Reductions Relance at Year and		

Year ended December 31, 2011

	Hill Country Telephone	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
	Cooperative			Cabo	Oub-	Gubo	oubo	oub!	Oubo	Emmations	Total
Operating revenues: Local voice services revenue											
Network access revenue											
USF revenue											
Toll/Long distance revenue Broadband revenue											
Dial-up revenue											
Video revenue											
Satellite revenue											
CPE Sales revenue Broadband - CLEC revenue											
Wireless Internet revenue											
Security Systems revenue											
Computer Repair revenue Leasing Revenue revenue											
Cellular Service revenue											
Business System revenue											
Other operating revenue Revenue amortization											
Less uncollectible revenue											
Total Operating Revenues											
Operating expenses:											
Internet expense Programming expense											
Satellite COGS											
CPE Sales COGS											
Broadband - CLEC COGS Wireless Internet COGS											
Security Systems COGS											
Computer Repair COGS											
Leasing Revenue COGS											
Cellular Service COGS Business System COGS											
Plant specific operations expense				DEDA	OTED						
Utilities expense				REDA	CIED						
Network maintenance expense Access expense											
Depreciation and amortization											
Sales and marketing expense											
Customer operations expense											
Corporate operations expense Property tax expense											
Total Operating Expenses											
Operating Income											
EBITDA											
Other Income (expense):											
Dividend income Interest income											
Gains (losses) from disposition of assets											
Nonoperating income (loss)											
Income from subsidiaires Income from partnerships											
Earnings from investment securities											
Total Other Income											
Fixed charges:											
Interest on existing long-term debt Interest on new RUS debt											
Interest on new ROS debt Interest on new private debt											
Amortization of debt issuance expense											
Interest charged to construction - credit											
Interest on customer deposits Total Fixed Charges											
Income before Taxes on Income											
Taxes on Income											
Margins before minority interest											
Minority interest in partnership											
Net income before comprehensive income											
Other comprehensive income (loss)											
Comprehensive Income											

Minority Interest in Partnership Beginning Balance Additions Reductions		
Ending Balance Stock		
Previous years' balance Proceeds from sale of shares Share repurchase Year end balance		
Additional paid-in-capital		
Previous years' balance Proceeds from sale of shares Share repurchase		
Year end balance	REDACTED	
Patronage capital Previous years' balance Capital credits retired Other	 REDITETED	
Year end balance		
Other capital Previous years' balance Additions Reductions Year end balance		
Retained earnings Previous years' balance		
Net income Dividends Other		
Year end balance		
Other comprehensive income adjustments Previous years' balance Additions Reductions		
Release at Veer and		

Year ended December 31, 2012

	Hill Country Telephone Cooperative	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Operating revenues:	Соорегацие										
Local voice services revenue											
Network access revenue USF revenue											
Toll/Long distance revenue											
Broadband revenue											
Dial-up revenue											
Video revenue Satellite revenue											
CPE Sales revenue											
Broadband - CLEC revenue											
Wireless Internet revenue Security Systems revenue											
Computer Repair revenue											
Leasing Revenue revenue											
Cellular Service revenue Business System revenue											
Other operating revenue											
Revenue amortization											
Less uncollectible revenue											
Total Operating Revenues											
Operating expenses:											
Internet expense Programming expense											
Satellite COGS											
CPE Sales COGS											
Broadband - CLEC COGS Wireless Internet COGS											
Security Systems COGS											
Computer Repair COGS											
Leasing Revenue COGS Cellular Service COGS											
Business System COGS											
Plant specific operations expense											
Utilities expense											
Network maintenance expense Access expense				DEDA	CTTD						
Depreciation and amortization				<b>REDA</b>	LIED						
Sales and marketing expense											
Customer operations expense Corporate operations expense											
Property tax expense											
Total Operating Expenses											
Operating Income											
EBITDA											
Other Income (expense):											
Dividend income											
Interest income											
Gains (losses) from disposition of assets Nonoperating income (loss)											
Income from subsidiaires											
Income from partnerships											
Earnings from investment securities Total Other Income											
rotal Other Income											
Fixed charges: Interest on existing long-term debt											
Interest on existing long-term debt Interest on new RUS debt											
Interest on new private debt											
Amortization of debt issuance expense											
Interest charged to construction - credit Interest on customer deposits											
Total Fixed Charges											
Income before Taxes on Income											
Taxes on Income											
Margins before minority interest											
Minority interest in partnership											
Net income before comprehensive income											
Other comprehensive income (loss)											
Comprehensive Income											

Minority Interest in Partnership Beginning Balance Additions Reductions Ending Balance			
Stock Previous years' balance Proceeds from sale of shares Share repurchase Year end balance			
Additional paid-in-capital Previous years' balance Proceeds from sale of shares Share repurchase Year end balance			
Patronage capital Previous years' balance Capital credits retired Other Year end balance		REDACTED	
Other capital Previous years' balance Additions Reductions Year end balance			
Retained earnings Previous years' balance Net income Dividends Other Year end balance	-		
Other comprehensive income adjustments Previous years' balance Additions Reductions Balance at Year end			

Year ended December 31, 2013

	Hill Country Telephone	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Operating revenues:	Cooperative										
Local voice services revenue											
Network access revenue USF revenue											
Toll/Long distance revenue											
Broadband revenue											
Dial-up revenue											
Video revenue Satellite revenue											
CPE Sales revenue											
Broadband - CLEC revenue											
Wireless Internet revenue Security Systems revenue											
Computer Repair revenue											
Leasing Revenue revenue											
Cellular Service revenue											
Business System revenue Other operating revenue											
Revenue amortization											
Less uncollectible revenue											
Total Operating Revenues											
Operating expenses:											
Internet expense											
Programming expense											
Satellite COGS CPE Sales COGS											
Broadband - CLEC COGS											
Wireless Internet COGS											
Security Systems COGS Computer Repair COGS											
Leasing Revenue COGS											
Cellular Service COGS											
Business System COGS											
Plant specific operations expense Utilities expense											
Network maintenance expense				<b>REDA</b>	CTFD						
Access expense				KLDA	CILD						
Depreciation and amortization Sales and marketing expense											
Customer operations expense											
Corporate operations expense											
Property tax expense											
Total Operating Expenses											
Operating Income  EBITDA											
Other Income (expense):											
Dividend income											
Interest income											
Gains (losses) from disposition of assets											
Nonoperating income (loss) Income from subsidiaires											
Income from partnerships											
Earnings from investment securities											
Total Other Income											
Fixed charges:											
Interest on existing long-term debt											
Interest on new RUS debt											
Interest on new private debt Amortization of debt issuance expense											
Interest charged to construction - credit											
Interest on customer deposits											
Total Fixed Charges											
Income before Taxes on Income											
Taxes on Income											
Margins before minority interest											
Minority interest in partnership											
Net income before comprehensive income											
Other comprehensive income (loss)											
Comprehensive Income											

Minority Interest in Partnership Beginning Balance Additions Reductions Ending Balance		
Stock Previous years' balance Proceeds from sale of shares Share repurchase Year end balance		7
Additional paid-in-capital Previous years' balance Proceeds from sale of shares Share repurchase Year end balance		
Patronage capital Previous years' balance Capital credits retired Other Year end balance	 REDACTED	
Other capital Previous years' balance Additions Reductions Year end balance		
Retained earnings Previous years' balance Net income Dividends Other Year end balance		
Other comprehensive income adjustments Previous years' balance Additions Reductions Balance at Year end		

Year ended December 31, 2014

	Hill Country Telephone Cooperative	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Operating revenues: Local voice services revenue Network access revenue USF revenue Toll.Long distance revenue Broadband revenue Broadband revenue Video revenue Video revenue Video revenue CPE Sales revenue Broadband - CLEC revenue Wireless Internet revenue Securify Systems revenue Computer Repair revenue Leasing Revenue revenue Cellular Service revenue Business System revenue Other operating revenue Less uncollectible revenue Less uncollectible revenue Less uncollectible revenue Less uncollectible revenue											
Operating expenses: Internet expenses Internet expense Programming expense Satelitile COGS CPE Sales COGS Broadband - CLEC COGS Wireless Internet COGS Security Systems COGS Computer Repair COGS Leasing Revenue COGS Cellular Service COGS Business System COGS Business System COGS Plant specific operations expense Utilities expense Network maintenance expense Access expense Depreciation and amortization Sales and marketing expense Customer operations expense Customer operations expense Croprate operations expense Property tax expense Property tax expense Total Operating Expenses			R	EDAC	TED						
Operating Income											
EBITDA											
Other Income (expense): Dividend income Interest Income Gains (losses) from disposition of assets Nonoperating income (loss) Income from subsidiaires Income from partnerships Earnings from investment securities Total Other Income											
Fixed charges: Interest on existing long-term debt Interest on new RUS debt Interest on new PUS debt Interest on new private debt Amortization of debt issuance expense Interest charged to construction - credit Interest on customer deposits Total Fixed Charges											
Income before Taxes on Income											
Taxes on Income											
Margins before minority interest											
Minority interest in partnership											
Net income before comprehensive income											
Other comprehensive income (loss)											
Comprehensive Income											

Minority Interest in Partnership Beginning Balance Additions Reductions Ending Balance			
Stock Previous years' balance Proceeds' from sale of shares Share repurchase Year end balance			
Additional paid-in-capital Previous years' balance Proceeds from sale of shares Share repurchase Year end balance			
Patronage capital Previous years' balance Capital credits retired Other Year end balance		REDACTED	
Other capital Previous years' balance Additions Reductions			
Yoar end balance Retained earnings Previous yeard's balance Net income Dividends Other			
Year end balance  Other comprehensive income adjustments Previous years' balance Additions Reductions			
Balance at Year end	•		

Year ended December 31, 2015

	Hill Country Telephone Cooperative	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Operating revenues:	Cooperative										
Local voice services revenue											
Network access revenue											
USF revenue											
Toll/Long distance revenue											
Broadband revenue Dial-up revenue											
Video revenue											
Satellite revenue											
CPE Sales revenue											
Broadband - CLEC revenue											
Wireless Internet revenue											
Security Systems revenue											
Computer Repair revenue											
Leasing Revenue revenue											
Cellular Service revenue Business System revenue											
Other operating revenue											
Revenue amortization											
Less uncollectible revenue											
Total Operating Revenues											
Operating expenses:											
Internet expense											
Programming expense Satellite COGS											
CPE Sales COGS Broadband - CLEC COGS											
Wireless Internet COGS											
Security Systems COGS							7				
Computer Repair COGS											
Leasing Revenue COGS											
Cellular Service COGS											
Business System COGS											
Plant specific operations expense											
Utilities expense				BEL	DACTI	$^{2}D$					
Network maintenance expense Access expense				IXL	ACII						
Depreciation and amortization											
Sales and marketing expense											
Customer operations expense											
Corporate operations expense											
Property tax expense											
Total Operating Expenses											
Operating Income											
EBITDA											
Other Income (expense): Dividend income											
Interest income											
Gains (losses) from disposition of assets											
Nonoperating income (loss)											
Income from subsidiaires											
Income from partnerships											
Earnings from investment securities											
Total Other Income											
Fixed charges											
Fixed charges: Interest on existing long-term debt											
Interest on existing long-term debt Interest on new RUS debt											
Interest on new private debt											
Amortization of debt issuance expense											
Interest charged to construction - credit											
Interest on customer deposits											
Total Fixed Charges											
Income before Taxes on Income											
Taxes on Income											
Margins before minority interest											
Minority interest in partnership											
Net income before comprehensive income											
Other comprehensive income (loss)											
Comprehensive Income											

Minority Interest in Partnership Beginning Balance Additions Reductions Ending Balance		
Stock Previous years' balance Proceeds from sale of shares Share repurchase Year end balance		
Additional paid-in-capital Previous year's balance Proceeds from sale of shares Share repurchase Year end balance		
Patronage capital Previous years' balance Capital credits retired Other Year end balance	REDACTED	
Other capital Previous years' balance Additions Reductions Year end balance		
Retained earnings Previous years' balance Net income Dividends Other Year end balance		
Other comprehensive income adjustments Previous years' balance Additions Reductions Balance at Year end		

Year ended December 31, 2016

	Hill Country Telephone	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
	Cooperative	nom	1101	5005	Sub-	3003	Jubo	Subi	Jubo	Lillilliadolis	Total
Operating revenues: Local voice services revenue											
Network access revenue											
USF revenue											
Toll/Long distance revenue											
Broadband revenue Dial-up revenue											
Video revenue											
Satellite revenue											
CPE Sales revenue											
Broadband - CLEC revenue Wireless Internet revenue											
Security Systems revenue											
Computer Repair revenue											
Leasing Revenue revenue											
Cellular Service revenue Business System revenue											
Other operating revenue											
Revenue amortization											
Less uncollectible revenue											
Total Operating Revenues											
Operating expenses: Internet expense											
Programming expense											
Satellite COGS											
CPE Sales COGS											
Broadband - CLEC COGS Wireless Internet COGS											
Security Systems COGS											
Computer Repair COGS											
Leasing Revenue COGS Cellular Service COGS											
Business System COGS											
Plant specific operations expense											
Utilities expense				DED							
Network maintenance expense Access expense				KED/	ACTED						
Depreciation and amortization											
Sales and marketing expense											
Customer operations expense											
Corporate operations expense Property tax expense											
Total Operating Expenses											
Operating Income											
EBITDA											
Other Income (expense):											
Dividend income											
Interest income											
Gains (losses) from disposition of assets Nonoperating income (loss)											
Income from subsidiaires											
Income from partnerships											
Earnings from investment securities											
Total Other Income											
Floridations											
Fixed charges: Interest on existing long-term debt											
Interest on new RUS debt											
Interest on new private debt											
Amortization of debt issuance expense Interest charged to construction - credit											
Interest charged to construction - credit Interest on customer deposits											
Total Fixed Charges											
Income before Taxes on Income											
Taxes on Income											
Margins before minority interest											
Minority interest in partnership											
Net income before comprehensive income											
Other comprehensive income (loss)											
Comprehensive Income											

Minority Interest in Partnership Beginning Balance Additions Reductions Ending Balance		
Stock Previous years' balance Proceeds from sale of shares Share repurchase Year end balance		
Additional paid-in-capital Previous years balance Proceeds from sale of shares Share repurchase		
Year end balance  Patronage capital  Previous years' balance Capital credits retired Other Year end balance	 REDACTED	
Other capital Previous years' balance Additions Reductions		
Year end balance  Retained earnings Previous years' balance Net Income Dividends Other		
Year end balance  Other comprehensive income adjustments Previous years' balance Additions Reductions Ralance at Year end		

Year ended December 31, 2017

	Hill Country Telephone Cooperative	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Operating revenues:	Cooperative										
Local voice services revenue											
Network access revenue USF revenue											
Toll/Long distance revenue											
Broadband revenue											
Dial-up revenue											
Video revenue Satellite revenue											
CPE Sales revenue											
Broadband - CLEC revenue											
Wireless Internet revenue Security Systems revenue											
Computer Repair revenue											
Leasing Revenue revenue											
Cellular Service revenue Business System revenue											
Other operating revenue											
Revenue amortization											
Less uncollectible revenue											
Total Operating Revenues											
Operating expenses:											
Internet expense											
Programming expense											
Satellite COGS CPE Sales COGS											
Broadband - CLEC COGS											
Wireless Internet COGS											
Security Systems COGS Computer Repair COGS											
Leasing Revenue COGS											
Cellular Service COGS											
Business System COGS											
Plant specific operations expense Utilities expense											
Network maintenance expense			. Т	REDAC	TTT						
Access expense			1	KEDAC	IED						
Depreciation and amortization											
Sales and marketing expense Customer operations expense											
Corporate operations expense											
Property tax expense											
Total Operating Expenses											
Operating Income											
EBITDA											
Other Income (expense):											
Dividend income Interest income											
Gains (losses) from disposition of assets											
Nonoperating income (loss)											
Income from subsidiaires											
Income from partnerships Earnings from investment securities											
Total Other Income											
Fixed shares											
Fixed charges: Interest on existing long-term debt											
Interest on new RUS debt											
Interest on new private debt											
Amortization of debt issuance expense Interest charged to construction - credit											
Interest on customer deposits											
Total Fixed Charges											
Income before Taxes on Income											
Taxes on Income											
Margins before minority interest											
Minority interest in partnership											
Net income before comprehensive income											
Other comprehensive income (loss)											
Comprehensive Income											

Minority Interest in Partnership Beginning Balance Additions Reductions Ending Balance		_
Stock Previous years' balance Proceeds from sale of shares Share repurchase Year end balance		_
Additional paid-in-capital Previous years' balance Proceeds from sale of shares Share repurchase Year end balance		_
Patronage capital Previous years' balance Capital credits retired Other Year end balance	 REDACTED	_
Other capital Previous years' balance Additions Reductions Year end balance		_
Retained earnings Previous years' balance Net income Dividends Other Year end balance		_
Tear end balance Other comprehensive income adjustments Previous years' balance Additions Reductions Ralance at Vagar and		_

# **ATTACHMENT 2**

F. Consolidating Cash Flow Statements

#### Hill Country Telephone Cooperative Consolidating Cash Flow Statements

Year ended December 31, 2009

	Hill Country Telephone Cooperative	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Cash Flows from Operating Activities: Net Margins											
Adjustment to reconcile net margins to net cash provided by operating activities:  Depreciation and amortization Deferred revenue Deferred income taxes Patronage Equity investment in consolidated affiliates Equity investments in unconsolidated companies Minority interest Changes in assets and liabilities: Receivables Materials and supplies Prepayments Goodwill Accounts payable Deferred charges Customer deposits Taxes accrued											
Other accrued liabilities Other deferrals Accumulated comprehensive income Net cash provided by operating activities				RED	ACTE	D					
Cash Flows from Investing Activities: Capital expenditures Proceeds from sale (purchase) of investments Collections of notes receivables, net Net cash provided by investing activities											
Cash Flows from Financing Activities:  Net borrowings (payments) on notes payable Proceeds from BIP grant Proceeds from new RUS debt Proceeds from new RUS debt Proceeds from new private loans Repayments of new RUS loans Repayments of new private loans Proceeds from sale of equity Share repurchase Dividend payments Patronage capital retired Funding Deficit (excess) Other, net Net cash provided by financing activities											
Net increase in cash and cash equivalents											
Cash and cash equivalents at beginning of year											
Cash and cash equivalents at end of year											

Year ended December 31, 2010

	Hill Country Telephone Cooperative	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Cash Flows from Operating Activities: Net Margins	Собрания										
Net Margins  Adjustment to reconcile net margins to net cash provided by operating activities:  Depreciation and amortization  Deferred revenue  Deferred income taxes  Patronage  Equity investment in consolidated affiliates  Equity investments in unconsolidated companies  Minority interest  Changes in assets and liabilities:  Receivables  Materials and supplies  Prepayments  Goodwill  Accounts payable  Deferred charges  Customer deposits  Taxes accrued											
Other accrued liabilities Other deferrals Accumulated comprehensive income Net cash provided by operating activities				REI	DACTE	ED					
Cash Flows from Investing Activities: Capital expenditures Proceeds from sale (purchase) of investments Collections of notes receivables, net Net cash provided by investing activities											
Cash Flows from Financing Activities:  Net borrowings (payments) on notes payable Proceeds from BIP grant Proceeds from row RUS debt Proceeds from new private loans Repayments of new RUS loans Repayments of new RUS loans Proceeds from sale of equity Share repurchase Dividend payments Patronage capital retired Funding Deficit (excess) Other, net Net cash provided by financing activities											
Net increase in cash and cash equivalents											
Cash and cash equivalents at beginning of year											
Cash and cash equivalents at end of year											

Year ended December 31, 2011

	Hill Country Telephone Cooperative	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Cash Flows from Operating Activities:	осороганто										
Net Margins  Adjustment to reconcile net margins to net cash provided by operating activities:  Depreciation and amortization  Deferred revenue  Deferred income taxes  Patronage  Equity investment in consolidated affiliates  Equity investments in unconsolidated companies  Minority interest  Changes in assets and liabilities:  Receivables  Materials and supplies  Prepayments  Goodwill  Accounts payable  Deferred charges  Customer deposits  Taxes accrued											
I axes accrued Other accrued liabilities Other deferrals Accumulated comprehensive income				RED	ACTED	,					
Net cash provided by operating activities				<del>KED1</del>	TCTED						
Cash Flows from Investing Activities: Capital expenditures Proceeds from sale (purchase) of investments Collections of notes receivables, net Net cash provided by investing activities											
Cash Flows from Financing Activities:  Net borrowings (payments) on notes payable Proceeds from BIP grant Proceeds from rew RUS debt Proceeds from new private loans Repayments of new RUS loans Repayments of new private loans Proceeds from sale of equity Share repurchase Dividend payments Patronage capital retired Funding Deficit (excess)  Other, net  Net cash provided by financing activities											
Net increase in cash and cash equivalents											
Cash and cash equivalents at beginning of year											
Cash and cash equivalents at end of year											

Year ended December 31, 2012

	Hill Country Telephone Cooperative	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Cash Flows from Operating Activities: Net Margins	Cooperative										
Net Margins  Adjustment to reconcile net margins to net cash provided by operating activities:  Depreciation and amortization  Deferred revenue  Deferred income taxes  Patronage  Equity investment in consolidated affiliates  Equity investments in unconsolidated companies  Minority interest  Changes in assets and liabilities:  Receivables  Materials and supplies  Prepayments											
Goodwill Accounts payable Deferred charges Customer deposits Taxes accrued Other accrued liabilities Other deferrals Accumulated comprehensive income Net cash provided by operating activities				REI	OACTE	ED.					
Cash Flows from Investing Activities: Capital expenditures Proceeds from sale (purchase) of investments Collections of notes receivables, net Net cash provided by investing activities											
Cash Flows from Financing Activities: Net borrowings (payments) on notes payable Proceeds from BIP grant Proceeds from new RUS debt Proceeds from new RUS debt Repayments of new RUS loans Repayments of new private loans Proceeds from sale of equity Share repurchase Dividend payments Patronage capital retired Funding Deficit (excess) Other, net Net cash provided by financing activities											
Net increase in cash and cash equivalents											
Cash and cash equivalents at beginning of year											
Cash and cash equivalents at end of year											

Year ended December 31, 2013

-	Hill Country Telephone Cooperative	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Cash Flows from Operating Activities: Net Margins	Собрания										
Adjustment to reconcile net margins to net cash provided by operating activities:  Depreciation and amortization Deferred revenue Deferred revenue Deferred income taxes Patronage Equity investment in consolidated affiliates Equity investments in unconsolidated companies Minority interest Changes in assets and liabilities: Receivables Materials and supplies Prepayments Goodwill Accounts payable Deferred charges Customer deposits Taxes accrued											
Other accrued liabilities Other deferrals Accumulated comprehensive income Net cash provided by operating activities				RED	<u>ACTE</u>	D					
Cash Flows from Investing Activities: Capital expenditures Proceeds from sale (purchase) of investments Collections of notes receivables, net Net cash provided by investing activities											
Cash Flows from Financing Activities:  Net borrowings (payments) on notes payable Proceeds from BIP grant Proceeds from new RUS debt Proceeds from new private loans Repayments of new RUS loans Repayments of new private loans Proceeds from sale of equity Share repurchase Dividend payments Patronage capital retired Funding Deficit (excess) Other, net Net cash provided by financing activities											
Net increase in cash and cash equivalents											
Cash and cash equivalents at beginning of year											
Cash and cash equivalents at end of year											

Year ended December 31, 2014

	Hill Country Telephone Cooperative	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Cash Flows from Operating Activities: Net Margins											
Adjustment to reconcile net margins to net cash provided by operating activities:											
Depreciation and amortization											
Deferred revenue											
Deferred income taxes											
Patronage											
Equity investment in consolidated affiliates											
Equity investments in unconsolidated companies Minority interest											
Changes in assets and liabilities:											
Receivables											
Materials and supplies											
Prepayments											
Goodwill											
Accounts payable Deferred charges											
Customer deposits											
Taxes accrued											
Other accrued liabilities											
Other deferrals				REDA	ACTEL	)					
Accumulated comprehensive income				TUDI	TOTEL						
Net cash provided by operating activities											
Cash Flows from Investing Activities: Capital expenditures Proceeds from sale (purchase) of investments Collections of notes receivables, net											
Net cash provided by investing activities											
Cash Flows from Financing Activities:  Net borrowings (payments) on notes payable  Proceeds from BlP grant  Proceeds from new RUS debt  Proceeds from new private loans  Repayments of new RUS loans  Repayments of new private loans  Proceeds from sale of equity  Share repurchase  Dividend payments  Patronage capital retired  Funding Deficit (excess)  Other, net  Net cash provided by financing activities											
Net increase in cash and cash equivalents											
Cash and cash equivalents at beginning of year											
Cash and cash equivalents at end of year											

Year ended December 31, 2015

	Hill Country Telephone Cooperative	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Cash Flows from Operating Activities: Net Margins	осороганто										
Adjustment to reconcile net margins to net cash provided by operating activities:  Depreciation and amortization Deferred revenue Deferred revenue Deferred income taxes Patronage Equity investment in consolidated affiliates Equity investments in unconsolidated companies Minority interest Changes in assets and liabilities: Receivables Materials and supplies Prepayments Goodwill Accounts payable Deferred charges Customer deposits Taxes accrued Other accrued liabilities				DEDA	OTED.						
Other deferrals  Accumulated comprehensive income				REDA	CTED						
Net cash provided by operating activities											
Cash Flows from Investing Activities: Capital expenditures Proceeds from sale (purchase) of investments Collections of notes receivables, net Net cash provided by investing activities	_										
Cash Flows from Financing Activities: Net borrowings (payments) on notes payable Proceeds from BIP grant Proceeds from New RUS debt Proceeds from new private loans Repayments of new RUS (bans Repayments of new Pusice loans Proceeds from sale of equity Share repurchase Dividend payments Patronage capital retired Funding Deficit (excess) Other, net Net cash provided by financing activities											
Net increase in cash and cash equivalents											
Cash and cash equivalents at beginning of year											
Cash and cash equivalents at end of year											

Year ended December 31, 2016

	Hill Country Telephone Cooperative	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Cash Flows from Operating Activities:	Сооролинго										
Net Margins											
Adjustment to reconcile net margins to net cash provided by operating activities:											
Depreciation and amortization											
Deferred revenue											
Deferred income taxes											
Patronage											
Equity investment in consolidated affiliates											
Equity investments in unconsolidated companies											
Minority interest											
Changes in assets and liabilities:											
Receivables											
Materials and supplies Prepayments											
Goodwill			_								
Accounts payable											
Deferred charges											
Customer deposits											
Taxes accrued											
Other accrued liabilities											
Other deferrals				DI							
Accumulated comprehensive income				<u> RE</u>	EDACT	ED_					
Net cash provided by operating activities											
Cash Flows from Investing Activities:											
Capital expenditures											
Proceeds from sale (purchase) of investments											
Collections of notes receivables, net											
Net cash provided by investing activities											
Cash Flows from Financing Activities:											
Net borrowings (payments) on notes payable											
Proceeds from BIP grant											
Proceeds from new RUS debt											
Proceeds from new private loans											
Repayments of new RUS loans											
Repayments of new private loans Proceeds from sale of equity											
Share repurchase											
Dividend payments											
Patronage capital retired											
Funding Deficit (excess)											
Other, net											
Net cash provided by financing activities											
Net increase in cash and cash equivalents											
Cash and cash equivalents at beginning of year											
Cash and cash equivalents at end of year											
			· · · · · · · · · · · · · · · · · · ·		· · · · · · · · · · · · · · · · · · ·	· · · · · · · · · · · · · · · · · · ·				•	

Year ended December 31, 2017

	Hill Country Telephone Cooperative	нстн	нст	Sub3	Sub4	Sub5	Sub6	Sub7	Sub8	Eliminations	Total
Cash Flows from Operating Activities: Net Margins	Обороганто										
Adjustment to reconcile net margins to net cash provided by operating activities:  Depreciation and amortization Deferred revenue Deferred income taxes Patronage Equity investment in consolidated affiliates Equity investments in unconsolidated companies Minority interest Changes in assets and liabilities: Receivables Materials and supplies Prepayments Goodwill Accounts payable Deferred charges Customer deposits Taxes accrued Other accrued liabilities Other deferrals				REDA	CTED						
Accumulated comprehensive income  Net cash provided by operating activities				TCD11	CILD						
Cash Flows from Investing Activities: Capital expenditures Proceeds from sale (purchase) of investments Collections of notes receivables, net Net cash provided by investing activities											
Cash Flows from Financing Activities:  Net borrowings (payments) on notes payable Proceeds from BIP grant Proceeds from new RUS debt Proceeds from new private loans Repayments of new RUS loans Repayments of new Pusical Educations Proceeds from sale of equity Share repurchase Dividend payments Patronage capital retired Funding Deficit (excess) Other, net Net cash provided by financing activities											
Net increase in cash and cash equivalents											
Cash and cash equivalents at beginning of year											
Cash and cash equivalents at end of year											

# **ATTACHMENT 2**

G. Debt Tests

#### Hill Country Telephone Cooperative Debt Test Summary

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt to Operating Cash Flow									
Net Income									
Plus: Depreciation & amortization									
Interest on long-term debt									
Income tax expense									
Less: Non-cash patronage									
Non-cash share of equity earnings									
Total									
Total Long-term debt									
D 140									
Debt Service Coverage Ratio (DSCR)									
Minimum requirement									
Pass/Fail?	Pass	Pass	Pass	Fail	Fail	Fail	Pass	Pass	Pass
Debt Service Coverage Ratio		_							
Net Income									
Plus: Depreciation & amortization									
Interest on long-term debt									
Less: Non-cash patronage									
Non-cash share of equity earnings									
Total			D	EDA					
Principal on long-term debt			K	EDA	ししてい				
Interest on long-term debt									
into cot on long torm dobt									
Debt Service Coverage Ratio (DSCR)									
Minimum requirement									
Pass/Fail?	Pass	Fail	Fail						
rass/raii:	газэ	rass	газэ	газэ	газэ	Газэ	газэ	raii	raii
Leverage Ratio									
Total Stockholders' Equity									
Total Assets									
Equity to Total Assets									
	Pass								
Times Interest Earned									
Net Income									
Add: Interest expense - new debt									
Add: Interest expense - existing debt									
Net income + interest expense									
latarast surrana arau daha									
Interest expense - new debt									
Interest expense - existing debt									
Total interest expense									
Times interest earned ratio (TIER)									
Minimum requirement									
Pass/Fail?	Pass	Pass	Fail						

# **ATTACHMENT 2**

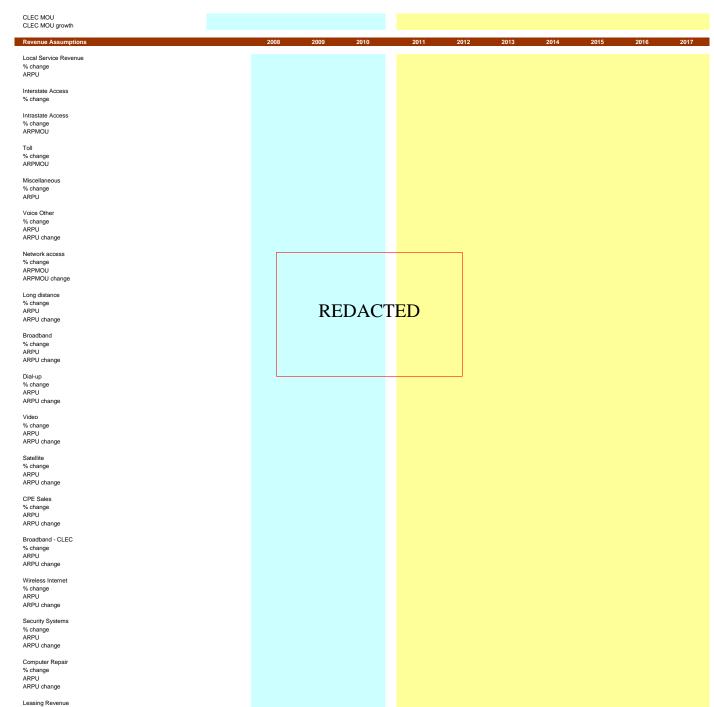
# H. ILEC Assumptions

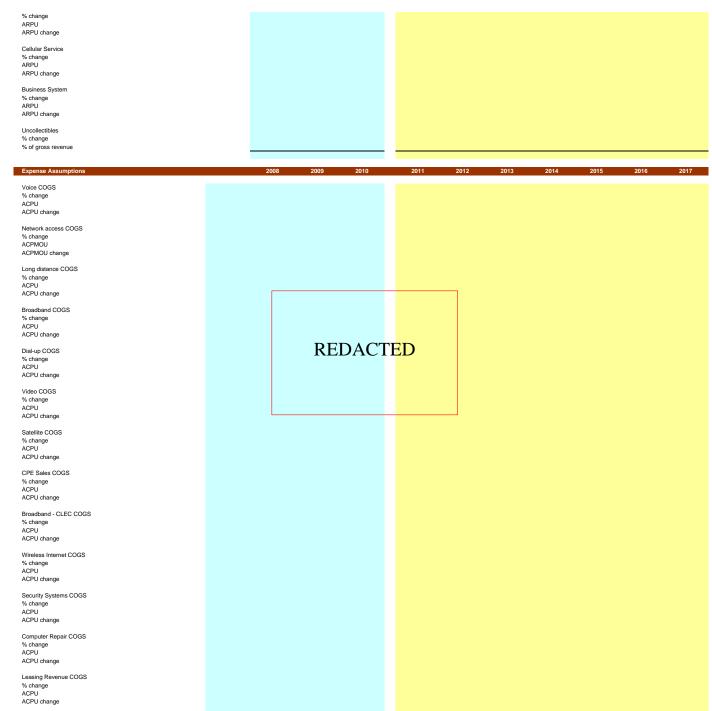
#### Hill Country Telephone Cooperative Assumptions Matrix

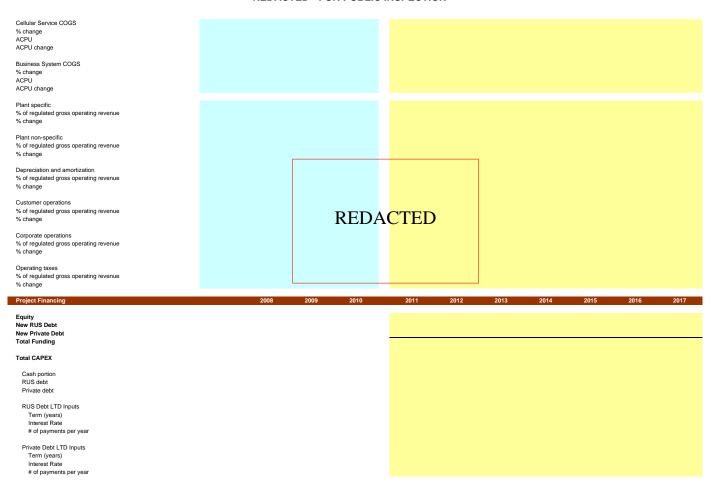
Current Asset Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Certificates of deposit Additions										
Reductions										
Certificates of deposit										
Marketable securities										
Additions										
Reductions										
Marketable securities										
Total revenues										
% of total revenues										
Accounts receivable - telecommunications										
Total revenues										
% of total revenues										
Accounts receivable - other										
Accounts receivable - affiliate - beginning of year										
Additions Reductions										
Accounts receivable - affiliate				- A GE						
			RF	<b>DACT</b>	ED					
Total revenues										
% of total revenues										
Accounts receivable - other										
Average notes receivable										
% of average notes receivable										
Interest receivable										
Cash operating expenses										
% of cash operating expenses										
Materials and supplies										
Cash operating expenses										
% of cash operating expenses										
Prepayments										
Deferred income taxes - beginning of year										
Additions										
Additions Reductions	0	0	0							
Additions Reductions Deferred income taxes	0	0	0							
Additions Reductions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes Current Liabilities Assumptions				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating expenses Accounts payable - other				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating expenses Accounts payable - other Line of Credit - beginning of year Additions				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit				2011	2012	2013	2014	2015	2016	2017
Additions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions Reductions				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions Reductions				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions Reductions Taxes accrued - Cash operating expenses Taxes accrued  Cash operating expenses % of cash operating expenses % of cash operating expenses				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions Reductions Taxes accrued  Cash operating expenses				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Reductions Line of Credit  Taxes accrued - beginning of year Additions Reductions Taxes accrued - beginning of year Additions Reductions Taxes accrued - Cash operating expenses % of cash operating expenses % of cash operating expenses % of cash operating expenses Other accrued liabilities				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions Reductions Line of Credit  Cash operating expenses % of cash operating expenses Other accrued liabilities  Deferred income taxes - beginning of year				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions Taxes accrued  Cash operating expenses % of cash operating expenses Other accrued liabilities  Deferred income taxes - beginning of year Additions				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses Accounts payable - affiliate  Line of Credit - beginning of year Additions Reductions Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions Reductions Taxes accrued  Cash operating expenses % of cash operating expenses % of cash operating expenses Other accrued liabilities  Deferred income taxes - beginning of year Additions Reductions				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions Taxes accrued  Cash operating expenses % of cash operating expenses Other accrued liabilities  Deferred income taxes - beginning of year Additions				2011	2012	2013	2014	2015	2016	2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade Accounts payable - affiliate - beginning of year Additions Reductions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions Reductions Taxes accrued isbilities  Cash operating expenses % of cash operating expenses % of cash operating expenses % of cash operating expenses Reductions Taxes accrued  Cash operating expenses % of cash operating expenses Reductions Deferred income taxes - beginning of year Additions Reductions Deferred income taxes Total revenues				2011	2012	2013	2014	2015	2016	2017
Additions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions Reductions Taxes accrued  Cash operating expenses % of cash operating expenses Cother accrued liabilities  Deferred income taxes - beginning of year Additions Reductions Reductions Reductions Reductions Reductions Reductions				2011	2012	2013	2014	2015	2016	2017

Investments and Other Assets Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Notes receivable										
Affiliate notes receivable										
Investment in lenders										
Investment in partnership										
Investment in corporatations										
Investment in subsidiary										
Goodwill										
Deferred charges										
Deferred income taxes										
Notes receivable debits										
Affiliate notes receivable debits										
Investment in lenders debits										
Investment in partnership debits										
								1		
Investment in corporatations debits										
Investment in subsidiary debits										
Goodwill debits										
Deferred charges debits										
Deferred income taxes debits										
Notes receivable credits				T-						
Affiliate notes receivable credits				R	EDAC	$\Gamma \vdash (L)$				
				1,						
Investment in lenders credits										
Investment in partnership credits										
Investment in corporatations credits										
Investment in subsidiary credits										
Goodwill credits										
Deferred charges credits										
Deferred income taxes credits										
Land Land 19th Wile Account Con-	2008	2009	2010	0044	0040	2012	2014	0045	2016	2017
Long-term Liability Assumptions	2006	2009	2010	2011	2012	2013	2014	2015	2016	2017
Affiliate notes										
Deferred income taxes										
Deferred revenue - long-term portion										
Deferred revenue - long-term portion										
Deferred revenue - long-term portion Other deferrals										
Deferred revenue - long-term portion Other deferrals Affiliate notes credits										
Deferred revenue - long-term portion Other deferrals										
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits										
Deferred revenue - long-term portion Other deferrals Affiliate notes credits										
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits Deferred revenue - long-term portion credits Other deferrals credits										
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits Deferred revenue - long-term portion credits Other deferrals credits Affiliate notes debits										
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits Deferred revenue - long-term portion credits Other deferrals credits Affiliate notes debits Deferred income taxes debits										
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits Deferred revenue - long-term portion credits Other deferrals credits Affiliate notes debits										
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits Deferred revenue - long-term portion credits Other deferrals credits Affiliate notes debits Deferred income taxes debits										
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits Deferred revenue - long-term portion credits Other deferrals credits Affiliate notes debits Deferred income taxes debits Deferred revenue - long-term portion debits	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits Deferred revenue - long-term portion credits Other deferrals credits Affiliate notes debits Deferred income taxes debits Deferred income taxes debits Deferred revenue - long-term portion debits Other deferrals debits	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits Deferred income taxes credits Other deferrals credits Affiliate notes debits Deferred income taxes debits Deferred income taxes debits Deferred revenue - long-term portion debits Other deferrals debits Other deferrals debits Other deferrals debits Other Balance Sheet Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits Deferred revenue - long-term portion credits Other deferrals credits Affiliate notes debits Deferred income taxes debits Deferred income taxes debits Deferred revenue - long-term portion debits Other deferrals debits Other Balance Sheet Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits Deferred revenue - long-term portion credits Other deferrals credits Affiliate notes debits Deferred income taxes debits Deferred income taxes debits Deferred revenue - long-term portion debits Other deferrals debits Other Balance Sheet Assumptions Plant Under Construction Materials & Supplies Customer Deposits	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits Deferred income taxes credits Other deferrals credits Affiliate notes debits Deferred revenue - long-term portion credits Other deferrals credits  Affiliate notes debits Deferred revenue - long-term portion debits Other deferrals debits Other deferrals debits  Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Universe treatment of the property of the pro	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits Deferred revenue - long-term portion credits Other deferrals credits Affiliate notes debits Deferred income taxes debits Deferred income taxes debits Deferred revenue - long-term portion debits Other deferrals debits Other Balance Sheet Assumptions Plant Under Construction Materials & Supplies Customer Deposits	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits Deferred revenue - long-term portion credits Other deferrals credits Affiliate notes debits Deferred income taxes debits Deferred revenue - long-term portion debits Other deferrals debits Deferred revenue - long-term portion debits Other deferrals debits Other Balanco Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred income Taxes Plant Under Construction additions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits Deferred revenue - long-term portion credits Other deferrals credits Affiliate notes debits Deferred income taxes debits Deferred revenue - long-term portion debits Other deferrals debits Deferred revenue - long-term portion debits Other deferrals debits Other Balanco Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred income Taxes Plant Under Construction additions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits Deferred revenue - long-term portion credits Other deferrals credits Affiliate notes debits Deferred income taxes debits Deferred revenue - long-term portion debits Other deferrals credits  Other deferrals debits  Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits Deferred income taxes credits Deferred revenue - long-term portion credits Other deferrals credits Affiliate notes debits Deferred income taxes debits Deferred income taxes debits Deferred revenue - long-term portion debits Other deferrals debits Other deferrals debits Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Llabilities Deferred Income Taxes Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Customer Deposits additions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits Deferred revenue - long-term portion credits Other deferrals credits Affiliate notes debits Deferred income taxes debits Deferred revenue - long-term portion debits Other deferrals credits  Other deferrals debits  Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits Deferred revenue - long-term portion credits Other deferrals credits Affiliate notes debits Deferred income taxes debits Deferred revenue - long-term portion debits Other deferrals debits Deferred revenue - long-term portion debits Other deferrals debits Other Balanco Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Other Long-term Liabilities additions Other Long-term Liabilities additions Other Long-term Liabilities additions Deferred Income Taxes additions Deferred Income Taxes additions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits Deferred revenue - long-term portion credits Other deferrals credits Affiliate notes debits Deferred revenue - long-term portion debits Deferred revenue - long-term portion debits Deferred revenue - long-term portion debits Other deferrals debits  Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Customer Deposits additions Customer Deposits additions Other Long-term Liabilities additions Deferred Income Taxes additions Plant Under Construction reductions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits Deferred revenue - long-term portion credits Other deferrals credits Affiliate notes debits Deferred income taxes debits Deferred revenue - long-term portion debits Other deferrals debits Deferred revenue - long-term portion debits Other deferrals debits Other deferrals debits Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions Other Long-term Liabilities additions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits Deferred revenue - long-term portion credits Other deferrals credits Affiliate notes debits Deferred rovenue - long-term portion debits Other deferrals credits  Affiliate notes debits Deferred revenue - long-term portion debits Other deferrals debits  Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Other Long-term Liabilities additions Deferred Income Taxes additions Plant Under Construction reductions Materials & Supplies reductions Value of the Construction reductions Materials & Supplies reductions Customer Deposits reductions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits Deferred revenue - long-term portion credits Other deferrals credits Affiliate notes debits Deferred income taxes debits Deferred income taxes debits Deferred revenue - long-term portion debits Other deferrals debits Other deferrals debits Other deferrals debits Other Balance Sheet Assumptions Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes Plant Under Construction additions Materials & Supplies additions Other Long-term Liabilities additions Other Long-term Liabilities Deferred Income Taxes Plant Under Construction additions Other Long-term Liabilities additions Other Long-term Liabilities additions Other Long-term Liabilities additions Other Long-term Liabilities additions Deferred Income Taxes additions Other Long-term Liabilities additions Other Long-term Liabilities additions Other Long-term Liabilities additions Other Long-term Liabilities additions Deferred Income Taxes additions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Deferred revenue - long-term portion Other deferrals Affiliate notes credits Deferred income taxes credits Deferred revenue - long-term portion credits Other deferrals credits Affiliate notes debits Deferred rovenue - long-term portion debits Other deferrals credits  Affiliate notes debits Deferred revenue - long-term portion debits Other deferrals debits  Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Other Long-term Liabilities additions Deferred Income Taxes additions Plant Under Construction reductions Materials & Supplies reductions Value of the Construction reductions Materials & Supplies reductions Customer Deposits reductions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017

ILEC Vitor conventions - end of year Convection Granth Nat costs  Charles Vitor conventions - end of year Convection Granth Nat vitor conventions - end of year Convection Granth Nat vitor conventions - end of year Convection Granth Nat vitor National Conventions - end of year Convection Granth Nat vitor National Conventions - end of year Convection Granth Nat vitor National Conventions - end of year Convection Granth Nat vitor National Conventions - end of year Convection Granth National Natio	Hill Country Telephone Cooperative Connection Assumptions	2007 20	008 20	09 2010	2011	2012	2013	2014	2015	2016	2017
Connection Growth Name and side year Connections - and oil year Connection Growth Name and Side of State of Sta	Connection Growth										
Boy remise passed Boy remises passed (Paul Paul Paul Paul Paul Paul Paul Paul	Connection Growth										
Broadbard connections - end of year Connection (% premises passed):  Deli-up connections - end of year Connection - end o	Connection Growth										
Note of the content o	Broadband connections - end of year Connection Growth Net adds										
Video connections - end of year Connection Growth Net adds Statellite connections - end of year Connection Growth Net adds OPE Sales connections - end of year Connection Growth Net adds OPE Sales connections - end of year Connection Growth Net adds OPE Sales connections - end of year Connection Growth Net adds OPE Sales connections - end of year Connection Growth Net adds OPE Sales connections - end of year Connection Growth Net adds OPE Sales connections - end of year Connection Growth Net adds OPE Sales connections - end of year Connection Growth Net adds OPE Sales connections - end of year Connection Growth Net adds OPE Sales connections - end of year Connection Growth Net adds OPE Sales connections - end of year Connection Growth Net adds OPE Sales connections - end of year Connection Growth Net adds OPE Sales connections - end of year Connection Growth Net adds OPE Sales connections - end of year Connection Growth Net adds OPE Sales connections - end of year Connection Growth Net adds OPE Sales connections - end of year Connection Growth Net adds OPE Sales connections - end of year Connection Growth Net adds OPE Sales connections - end of year Connection Growth Net adds OPE Sales connections - end of year Connection Growth Net adds OPE Sales Connection Sales	Connection Growth										
Comection Growth Net adds  Provided of year Comections - end of year Comections - end of year Comections - end of year Comection Growth Net adds  Broadband - CLEC connections - end of year Comection Growth Net adds  Security Systems connections - end of year Comection Growth Net adds  Security Systems connections - end of year Comection Growth Net adds  Computer Repair connections - end of year Comection Growth Net adds  Cellular Service connections - end of year Comection Growth Net adds  Cellular Service connections - end of year Comection Growth Net adds  MOU  2007 2008 2009 2010 2011 2012 2013 2014 2015 2016  Interstated MOU Interstated MOU Intrestated MOU I	Video connections - end of year Connection Growth Net adds			REI	ACTEI	)					
Connection Growth Net adds  Broadband - CLEC connections - end of year Connection Growth Net adds  Wireless Internet connections - end of year Connection Growth Net adds  Security Systems connections - end of year Connection Growth Net adds  Computer Repair connections - end of year Connection Growth Net adds  Lassing Revenue connections - end of year Connection Growth Net adds  Lassing Revenue connections - end of year Connection Growth Net adds  MUI Service connections - end of year Connection Growth Net adds  MUI Service connections - end of year Connection Growth Net adds  MUI Service connections - end of year Connection Growth Net adds  MUI Service connections - end of year Connection Growth Net adds  MUI Service connections - end of year Connection Growth Net adds  MUI Service connections - end of year Connection Growth Net adds  MUI Service connections - end of year Connection Growth Net adds  MUI Service Connection Service Connection Service Connection Growth Net adds  MUI Service Connection Service Connection Service Connection Service Connection Growth Net adds  MUI Service Connection Service Connection Service Connection Growth Net adds  MUI Service Connection S	Connection Growth										
Connection Growth Net adds  Wireless Internet connections - end of year Connection Growth Net adds  Security Systems connections - end of year Connection Growth Net adds  Connection Growth Net adds  Celluar Service connections - end of year Connection Growth Net adds  Celluar Service connections - end of year Connection Growth Net adds  Business System connections - end of year Connection Growth Net adds  MOU  2007  2008  2009  2010  2011  2012  2013  2014  2015  2016  Interstate MOU Intrastate M	Connection Growth										
Connection Growth Net adds  Security Systems connections - end of year Cornection Growth Net adds  Computer Repair connections - end of year Connection Growth Net adds  Leasing Revenue connections - end of year Connection Growth Net adds  Cellular Service connections - end of year Connection Growth Net adds  Business System connections - end of year Connection Growth Net adds  MOU  2007  2008  2009  2010  2011  2012  2013  2014  2015  2016  Interstate MOU Intrastate MOU growth	Connection Growth										
Connection Growth Net adds  Computer Repair connections - end of year Connection Growth Net adds  Leasing Revenue connections - end of year Connection Growth Net adds  Cellular Service connections - end of year Connection Growth Net adds  Business System connections - end of year Connection Growth Net adds  MOU  2007  2008  2009  2010  2011  2012  2013  2014  2015  2016  Interstate MOU Interstate MOU Interstate MOU Intrastate MOU Intrast	Connection Growth										
Connection Growth Net adds  Leasing Revenue connections - end of year Connection Growth Net adds  Cellular Service connections - end of year Connection Growth Net adds  Business System connections - end of year Connection Growth Net adds  MOU 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016  Interstate MOU Interstate MOU growth Intrastate MOU growth	Connection Growth										
Connection Growth Net adds  Cellular Service connections - end of year Connection Growth Net adds  Business System connections - end of year Connection Growth Net adds  MOU  2007  2008  2009  2010  2011  2012  2013  2014  2015  2016  Interstate MOU growth Intrastate MOU growth	Connection Growth										
Connection Growth Net adds  Business System connections - end of year Connection Growth Net adds  MOU 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016  Interstate MOU Interstate MOU growth Intrastate MOU Growth Intrastate MOU Growth	Connection Growth										
Connection Growth Net adds  MOU 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016  Interstate MOU growth  Intrastate MOU growth  Intrastate MOU growth	Connection Growth										
Interstate MOU Interstate MOU Intrastate MOU Intrastate MOU Intrastate MOU Intrastate MOU growth	Connection Growth										
Interstate MOU growth  Intrastate MOU growth  Intrastate MOU growth	мои	2007 20	008 20	09 2010	2011	2012	2013	2014	2015	2016	2017
Intrastate MOU growth											
Long distance MOLI											
Long distance MOU growth	Long distance MOU Long distance MOU growth										







Regulated Plant in Service Assumptions	2008	2009 2010		2011	2012	2013	2014	2015	2016	2017
Land										
Motor vehicles										
Aircraft Tools and other work equipment										
Garage equipment										
Other work equipment										
Buildings										
Furniture										
Office support equipment										
General purpose computers										
Total general support assets										
Analog switch Digital switch										
Electromechanical switch										
Total switching assets										
Total officially accord										
Operator										
Total operator assets										
Radio systems										
Transmission equipment										
Total transmission equipment										
Station apparatus										
Customer premise wiring Large PBX										
Public telephone										
Other terminal equipment					1					
Total IOT equipment										
Poles										
Aerial cable										
Underground cable										
Buried cable		DEDAC	PPP							
Submarine cable		REDAC	LEL	)						
Intrabuilding network cable		_								
Aerial wire										
Conduit systems										
Total cable and wire										
Capital lease										
Leasehold improvement										
Intangibles										
Total other investment										
Total telecommunications plant in service										
Regulated CAPEX Assumptions	2008	2009 2010		2011	2012	2013	2014	2015	2016	2017
Land			_							
Motor vehicles										
Aircraft										
Tools and other work equipment										
Garage equipment										
Other work equipment										
Buildings										
Furniture										
Office support equipment										
General purpose computers										
			-							
Total general support assets										
Total general support assets										
Total general support assets  Analog switch										
Total general support assets  Analog switch  Digital switch										
Total general support assets  Analog switch Digital switch Electromechanical switch										
Total general support assets  Analog switch  Digital switch										
Total general support assets  Analog switch Digital switch Electromechanical switch										
Total general support assets  Analog switch Digital switch Electromechanical switch Total switching assets										
Total general support assets  Analog switch Digital switch Electromechanical switch Total switching assets  Operator Total operator assets			-							
Total general support assets  Analog switch Digital switch Electromechanical switch Total switching assets  Operator Total operator assets  Radio systems			_							
Total general support assets  Analog switch Digital switch Electromechanical switch Total switching assets  Operator Total operator assets  Radio systems Transmission equipment			-							
Total general support assets  Analog switch Digital switch Electromechanical switch Total switching assets  Operator Total operator assets  Radio systems			-							
Total general support assets  Analog switch Digital switch Electromechanical switch Total switching assets  Operator Total operator assets  Radio systems Transmission equipment Total transmission equipment										
Total general support assets  Analog switch Digital switch Electromechanical switch Total switching assets  Operator Total operator assets  Radio systems Transmission equipment Total transmission equipment Station apparatus										
Total general support assets  Analog switch Digital switch Electromechanical switch Total switching assets  Operator Total operator assets  Radio systems Transmission equipment Total transmission equipment Station apparatus Customer premise wiring										
Total general support assets  Analog switch Digital switch Electromechanical switch Total switching assets  Operator Total operator assets  Radio systems Transmission equipment Total transmission equipment Station apparatus Customer premise wiring Large PBX										
Total general support assets  Analog switch Digital switch Electromechanical switch Total switching assets  Operator Total operator assets  Radio systems Transmission equipment Total transmission equipment Station apparatus Customer premise wiring Large PBX Public telephone			-							
Total general support assets  Analog switch Digital switch Electromechanical switch Total switching assets  Operator Total operator assets  Radio systems Transmission equipment Total transmission equipment Station apparatus Customer premise wiring Large PBX										

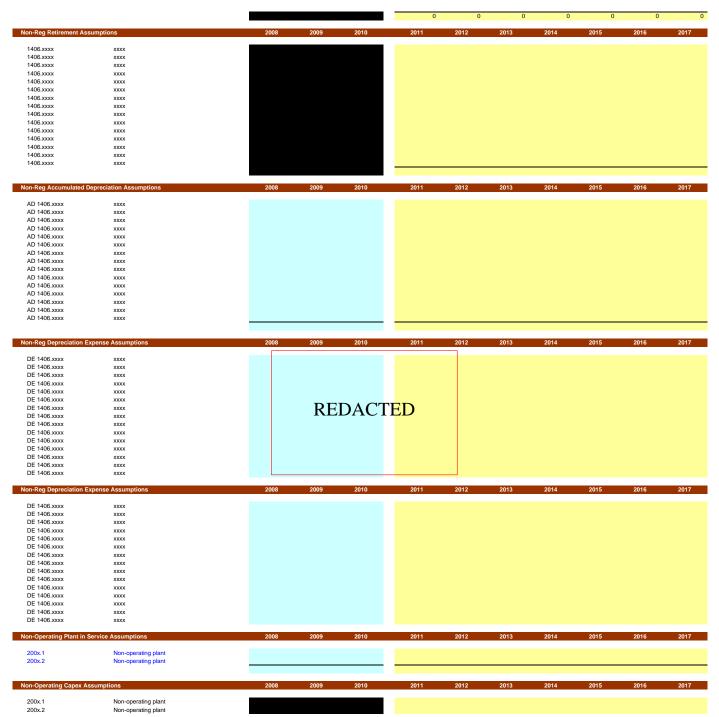
Poles										
Aerial cable										
Underground cable										
Buried cable										
Submarine cable										
Intrabuilding network cable										
Aerial wire										
Conduit systems										
Total cable and wire										
Capital lease										
Leasehold improvement Intangibles										
Total other investment										
rotal other investment										
Total capex										
				-						
Regulated Retirement Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Land										
Motor vehicles										
Aircraft										
Tools and other work equipment										
Garage equipment										
Other work equipment										
Buildings										
Furniture										
Office support equipment										
General purpose computers										
Total general support assets										
Analog switch										
Digital switch										
Electromechanical switch										
Total switching assets					DED	OTE	D			
					REDA	ACIE	D			
Operator				_						
Total operator assets										
Radio systems										
Transmission equipment										
Total transmission equipment				_						
rotal tallomodon oquipmont										
Station apparatus										
Customer premise wiring										
Large PBX										
Public telephone										
Other terminal equipment										
Total transmission equipment										
Poles										
Aerial cable										
Underground cable										
Buried cable										
Submarine cable										
Intrabuilding network cable										
Aerial wire										
Conduit systems Total cable and wire										
i otal cable and wife										
Capital lease										
Leasehold improvement										
Intangibles										
Total other investment										
Total retirements										
Regulated Accumulated Depreciation Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Motor vehicles										
Aircraft										
Tools and other work equipment										
Garage equipment										
Other work equipment										
Buildings										
Furniture										
Office support equipment										
General purpose computers										
Total general support assets										

Analog switch				
Digital switch				
Electromechanical switch				
Total switching assets				
Operator				
Total operator assets				
Radio systems				
Transmission equipment				
Total transmission equipment				
Station apparatus				
Customer premise wiring				
Large PBX				
Public telephone				
Other terminal equipment				
Total IOT equipment				
Poles				
Aerial cable				
Underground cable				
Buried cable				
Submarine cable				
Intrabuilding network cable				
Aerial wire				
Conduit systems				
Total cable and wire				
Capital lease				
Leasehold improvement				
Intangibles				
Total other investment		<del>DED</del>	ACTED	
· · · · · · · · · · · · · · · · · · ·		KLD	ACILD	
Total telecommunications plant in service				
Regulated Depreciation Expense	2008 2	2009 2010	2011 2012	2013 2014 2015 2016 2017
Motor vehicles				
Aircraft				
Aircraft Tools and other work equipment				
Aircraft Tools and other work equipment Garage equipment				
Aircraft Tools and other work equipment Garage equipment Other work equipment				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets Analog switch				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets Analog switch Digital switch				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets Analog switch Digital switch Electromechanical switch				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets Analog switch Digital switch				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets Analog switch Digital switch Electromechanical switch Total switching assets				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets Analog switch Digital switch Electromechanical switch Total switching assets  Operator				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets Analog switch Digital switch Electromechanical switch Total switching assets				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets  Analog switch Digital switch Electromechanical switch Total switching assets  Operator Total operator assets  Radio systems				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets  Analog switch Digital switch Electromechanical switch Total switching assets  Operator Total operator assets				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets  Analog switch Digital switch Electromechanical switch Total switching assets  Operator Total operator assets  Radio systems				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets  Analog switch Digital switch Electromechanical switch Total switching assets  Operator Total operator assets  Radio systems Transmission equipment Total transmission equipment				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets  Analog switch Digital switch Digital switch Total switching assets  Operator Total operator assets  Radio systems Transmission equipment Total transmission equipment Total transmission equipment Station apparatus				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets  Analog switch Digital switch Electromechanical switch Total switching assets  Operator Total operator assets  Radio systems Transmission equipment Total transmission equipment Station apparatus Customer premise wiring				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets  Analog switch Digital switch Digital switch Total switching assets  Operator Total operator assets  Radio systems Transmission equipment Total transmission equipment Total transmission equipment Station apparatus Customer premise wiring Large PBX				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets  Analog switch Digital switch Digital switch Total switching assets  Operator Total operator assets  Radio systems Transmission equipment Total transmission equipment Station apparatus Customer premise wiring Large PBX Public telephone				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets Analog switch Digital switch Electromechanical switch Total switching assets Operator Total operator assets Radio systems Transmission equipment Total transmission equipment Station apparatus Customer premise wiring Large PBX Public telephone Other terminal equipment				
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Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets  Analog switch Digital switch Electromechanical switch Total switching assets  Operator Total operator assets  Radio systems Transmission equipment Total transmission equipment Station apparatus Customer premise wiring Large PBX Public telephone Other terminal equipment Total transmission equipment Total transmission equipment				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets  Analog switch Digital switch Digital switch Total switching assets  Operator Total operator assets  Radio systems Transmission equipment Total transmission equipment Station apparatus Customer premise wiring Large PBX Public telephone Other terminal equipment Total transmission equipment Total transmission equipment				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets  Analog switch Digital switch Electromechanical switch Total switching assets  Operator Total operator assets  Radio systems Transmission equipment Total transmission equipment Station apparatus Customer premise wiring Large PBX Public telephone Other terminal equipment Total transmission equipment Total transmission equipment Customer premise wiring Large PBX Public telephone Other terminal equipment Total transmission equipment Total transmission equipment				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets  Analog switch Digital switch Digital switch Total switching assets  Operator Total operator assets  Radio systems Transmission equipment Total transmission equipment Station apparatus Customer premise wiring Large PBX Public telephone Other terminal equipment Total transmission equipment Total transmission equipment Total transmission equipment Poles Aerial cable Underground cable Buried cable				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets  Analog switch Digital switch Electromechanical switch Total switching assets  Operator Total operator assets  Radio systems Tararmsission equipment Total transmission equipment Station apparatus Customer premise wiring Large PBX Public telephone Other terminal equipment Total transmission equipment Total transmission equipment  Total transmission equipment  Station apparatus Customer premise wiring Large PBX Public telephone Other terminal equipment Total transmission equipment Underground cable Buried cable Submarine cable				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets  Analog switch Digital switch Digital switch Total switching assets  Operator Total operator assets  Radio systems Transmission equipment Total transmission equipment Station apparatus Customer premise wiring Large PBX Public telephone Other terminal equipment Total transmission equipment Total transmission equipment Total transmission equipment Poles Aerial cable Underground cable Buried cable				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets  Analog switch Digital switch Digital switch Electromechanical switch Total switching assets  Operator Total operator assets  Radio systems Transmission equipment Total transmission equipment Total transmission equipment Ustation apparatus Customer premise wiring Large PBX Public telephone Other terminal equipment Total transmission equipment Total transmission equipment Total transmission equipment Ustation apparatus Customer premise wiring Large PBX Public telephone Other terminal equipment Total transmission equipment Total transmission equipment Underground cable Buried cable Underground cable Buried cable Intrabuilding network cable Aerial wire Conduit systems				
Aircraft Tools and other work equipment Garage equipment Other work equipment Buildings Furniture Office support equipment General purpose computers Total general support assets  Analog switch Digital switch Digital switch Electromechanical switch Total switching assets  Operator Total operator assets  Radio systems Transmission equipment Total transmission equipment Station apparatus Customer premise wiring Large PBX Public telephone Other terminal equipment Total transmission equipment Total transmission equipment Total transmission equipment Poles Aerial cable Underground cable Buried cabile Submarine cable Intrabuilding network cable Aerial wire				

John Staurulakis, Inc.

John Staurulakis, Inc.

Capital lease								
Leasehold improvement								
Intangibles								
Total other investment								
Total depreciation expense								
Regulated Depreciation Rates		2008	2009 2010	2011	2012 2013	2014 201	15 2016	2017
Motor vehicles								
Aircraft								
Tools and other work equipme	nt							
Garage equipment								
Other work equipment Buildings								
Furniture								
Office support equipment								
General purpose computers								
Analog switch								
Digital switch Electromechanical switch								
Electroniechanical switch								
Operator								
Radio systems								
Transmission equipment								
Station apparatus								
Customer premise wiring								
Large PBX								
Public telephone								
Other terminal equipment								
Poles								
Aerial cable								
Underground cable								
Buried cable								
Submarine cable			DED A CO					
Intrabuilding network cable			REDACT	ED				
Aerial wire			11221101					
Conduit systems								
Capital lease								
Leasehold improvement								
Intangibles								
Non-Reg Plant in Service Assu	motions	2008	2009 2010	2011	2012 2013	2014 201	15 2016	2017
Non-Reg Flant III Service Assu	implions	2009	2009 2010	2011	2012 2013	2014 20	15 2010	2017
1406.xxxx								
1406.xxxx	XXXX							
1406.xxxx	xxxx							
1406 9999	XXXX XXXX							
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1406.xxxx 1406.xxxx 1406.xxxx 1406.xxxx 1406.xxxx 1406.xxxx 1406.xxxx 1406.xxxx 1406.xxxx	0000X 0000X 0000X 0000X 0000X 0000X 0000X 0000X 0000X							
1406.xxxx 1406.xxxx 1406.xxxx 1406.xxxx 1406.xxxx 1406.xxxx 1406.xxxx 1406.xxxx 1406.xxxx 1406.xxxx 1406.xxxx	00000 00000 00000 00000 00000 00000 0000	2008	2009 2010	2011	2012 2013	2014 201	15 2016	2017.
1406.xxxx	0000X 0000X 0000X 0000X 0000X 0000X 0000X 0000X 0000X 0000X 0000X 0000X	2008	2009 2010	2011	2012 2013	2014 201	15 2016	2017
1406.xxxx	0000X 0000X 0000X 0000X 0000X 0000X 0000X 0000X 0000X 0000X 0000X	2008	2009 2010	2011	2012 2013	2014 201	15 2016	2017
1406.xxxx	0000X 0000X 0000X 0000X 0000X 0000X 0000X 0000X 0000X 0000X	2008	2009 2010	2011	2012 2013	2014 201	15 2016	2017
1406.xxxx	0000X 0000X 0000X 0000X 0000X 0000X 0000X 0000X 0000X 0000X	2008	2009 2010	2011	2012 2013	2014 201	15 2016	2017
1406.xxxx	0000X 0000X 0000X 0000X 0000X 0000X 0000X 0000X 0000X 0000X	2008	2009 2010	2011	2012 2013	2014 201	15 2016	2017
1406.xxxx	3000X 3000X 3000X 3000X 3000X 3000X 3000X 3000X 3000X 3000X 3000X 3000X 3000X	2008	2009 2010	2011	2012 2013	2014 201	15 2016	2017
1406.xxxx	3000X	2008	2009 2010	2011	2012 2013	2014 201	15 2016	2017
1406.xxxx	0000X	2008	2009 2010	2011	2012 2013	2014 201	15 2016	2017
1406.xxxx	0000X	2008	2009 2010	2011	2012 2013	2014 201	15 2016	2017
1406.xxxx	0000X	2008	2009 2010	2011	2012 2013	2014 201	15 2016	2017
1406.xxxx	3000X	2008	2009 2010	2011	2012 2013	2014 201	15 2016	2017
1406.xxxx	0000X	2008	2009 2010	2011	2012 2013	2014 201	15 2016	2017
1406.xxxx	3000X	2008	2009 2010	2011	2012 2013	2014 201	15 2016	2017



Non-Operating Retirem	ent Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
200x.1	Non-operating plant	2555	2000	2010	2011	2012	2010	2011	2010	2010	2011
200x.2	Non-operating plant										
Non-Operating Accumu	lated Depreciation Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
AD 200x.1	Non-operating plant										
AD 200x.2	Non-operating plant										
Non-Operating Deprecia	ation Expense Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
DE 200x.1	Non-operating plant										
DE 200x.2	Non-operating plant										
	ation Rate Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
DE 200x.1 DE 200x.2	Non-operating plant Non-operating plant										
Amortizable Assets Ass	sumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
2007.x1	Amortizable Asset1										
2007.x2	Amortizable Asset2										
Amortizable Assets Add	dition Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
2007.x1 2007.x2	Amortizable Asset1 Amortizable Asset2										
2007.X2	Amontzable Assetz										
Amortizable Assets Ret	irement Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
2007.x1 2007.x2	Amortizable Asset1 Amortizable Asset2										
2007.32	Allolitzable Assetz										
Amortizable Asset Amo	ortization Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
AA 2007.x1 AA 2007.x2	Amortizable Asset1 Amortizable Asset2										
Amortizable Assets Am	ortization Expense Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
AE 2007.x1 AE 2007.x2	Amortizable Asset1 Amortizable Asset2										
Amortizable Assets Am	ortization Rates Assumptions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
AE 2007.x1	Amortizable Asset1										
AE 2007.x2	Amortizable Asset2										
Regulated Rate Base A		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Plant Held for Future Use	e (A/C 2002)										
Plt Under Construction Si Telecommunications Plan	nt Adjustment (A/C 2005)										
Material & Supplies (A/C RTB Class B Stock (A/C			DED	ACTE	D						
Cash Working Capital Depreciation & Amort. Re			KED	ACIE	D						
Customer Deposits (A/C Other Long Term Liabilitie	es (A/C 4310)										
Net Noncurr. Def Oper. In Reductions in Rate Bas											
Fixed Charges (A/C 7500 Interest Charged Const. (	0)										
Amort. of Investment Tax Other Income Adjustmen	Credits (A/C 7210)										
Plant Specific Operating											
Network Support (A/C 61 General Support (A/C 61:	10)										
Central Office Switching Operating Systems (A/C	(A/C 6210)										
Central Office Transmissi Information Orig./Term. (A	ion (A/C 6230)										
Cable & Wire Facilities (A											

Plant Non-Specific Operating Expenses

Plant Expense (A/C 6510) Network Operations (A/C 6530)

Access Expense (A/C 6540)

Depreciation (A/C 6561)

Customer Operations Expenses Marketing (A/C 6610)

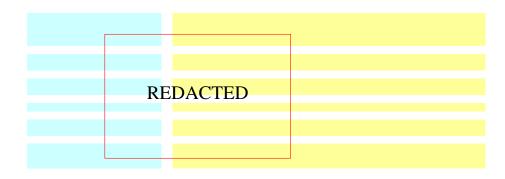
Services (A/C 6620)

Corporate Operating Expenses Executive & Planning (A/C 6710) General & Administrative (A/C 6720)

Operating Taxes
Property Taxes (A/C 7240)

Nonoperating Expenses and Taxes Special Charges (A/C 7370) Interest on Customer Deposits (A/C 7540)

Federal Tax Rate State Tax Rate GRT, Other, etc.



4/16/2011 1:08 PM H:\Attachment 2 REDACTED.xlxx John Staurulakis, Inc.

ssumptions - USF	1	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
CPL											
13 Subscriber % at 1 %											
IL 1 76											
CPL Used											
with Amount											
CPL % Increase 3 Percentage											
t 1 Percentage											
justment Factor (GDPCPI):											
orporate Cap Growth Rate			_								
ital Loops											
pecial Access Loops											
Iditional 1.3 Loops											
cess Lines											
				RF	DAC	FED					
				111	22110	LLD					

# **ATTACHMENT 2**

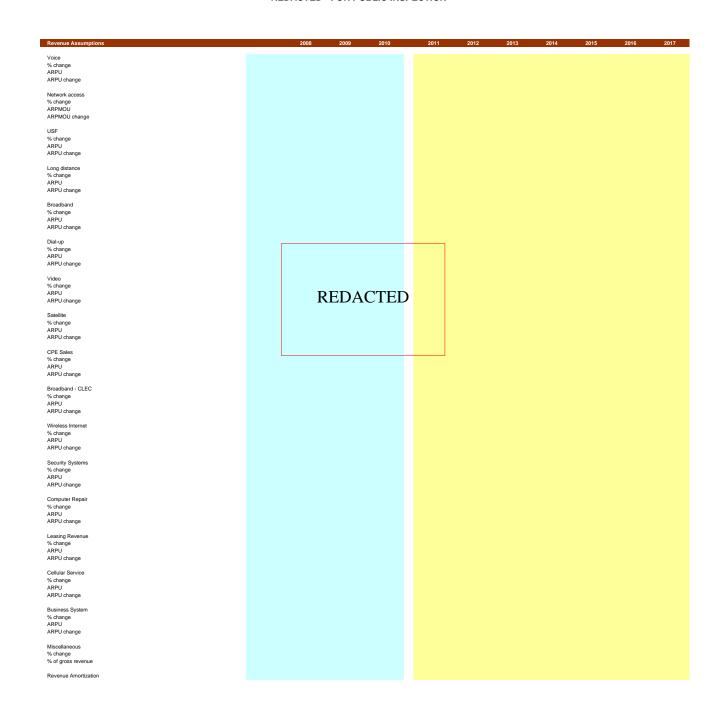
I. Subsidiary 1 Assumptions

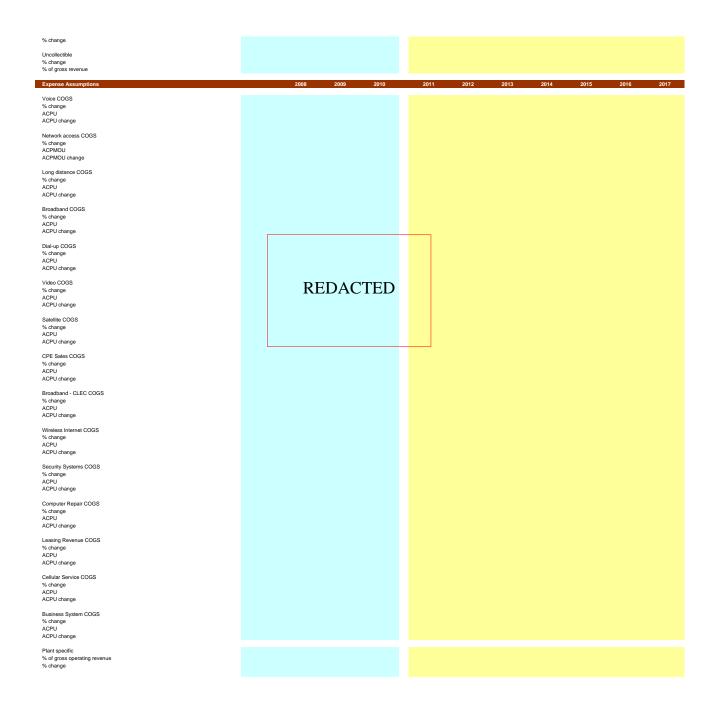
#### HCTH Assumptions Matrix

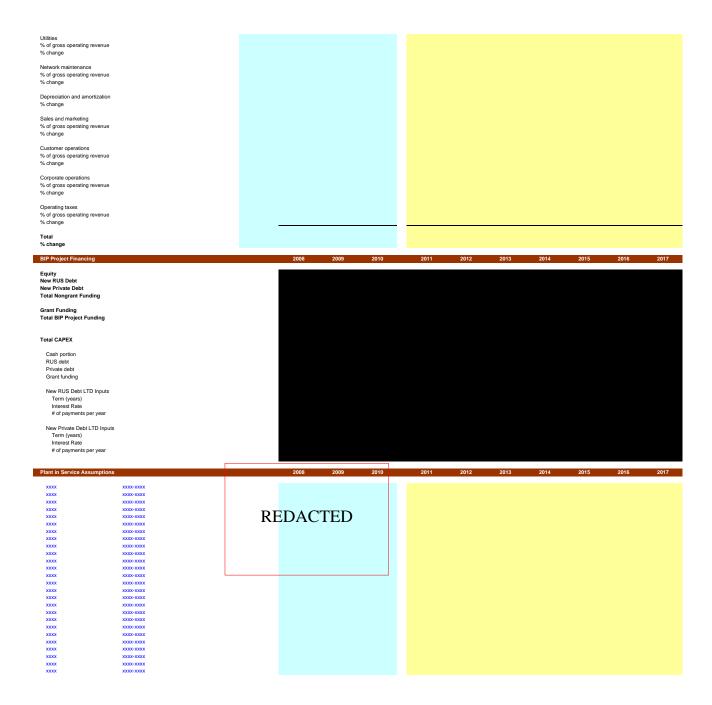
Current Asset Assumptions 2007	2008 2009 2010	2011 2012	2013 2	014 2015 :	2016 2017
Certificates of deposit					
Additions					
Reductions					
Certificates of deposit					
Marketable securities					
Additions					
Reductions					
Marketable securities					
Total revenues					
% of total revenues					
Accounts receivable - telecommunications					
Total revenues					
% of total revenues					
Accounts receivable - other					
Accounts receivable - affiliate - beginning of year					
Accounts receivable - anniate - beginning or year Additions					
Reductions					
Accounts receivable - affiliate					
Total revenues					
% of total revenues					
Accounts receivable - other					
August and a sea babble					
Average notes receivable  % of average notes receivable	DEDAGE	ED			
Interest receivable		LD			
Cash operating expenses % of cash operating expenses					
Materials and supplies					
Cash operating expenses					
% of cash operating expenses Prepayments					
Deferred income taxes - beginning of year					
Determed income taxes - beginning or year					
Additions					
Additions Reductions Deferred income taxes					
Additions Reductions Deferred income taxes					
Additions Reductions	2008 2009 2010	2011 2012	2013 2	014 2015 :	2016 2017
Additions Reductions Deferred income taxes	2008 2009 2010	2011 2012	2013 2	014 2015 :	2016 2017
Additions Reductions Deferred Income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses	2008 2009 2010	2011 2012	2013 2	014 2015 :	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions 2007  Cash operating expenses	2008 2009 2010	2011 2012	2013 2	014 2015 :	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade	2008 2009 2010	2011 2012	2013 2	014 2015 :	2016 2017
Additions Reductions Deferred Income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses	2008 2009 2010	2011 2012	2013 2	014 2015 :	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions	2008 2009 2010	2011 2012	2013 2	014 2015 ;	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions	2008 2009 2010	2011 2012	2013 2	014 2015 :	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses	2008 2009 2010	2011 2012	2013 2	014 2015 :	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate Accounts payable - affiliate Accounts payable - affiliate Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating expenses % of cash operating expenses	2008 2009 2010	2011 2012	2013 2	014 2015 :	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses	2008 2009 2010	2011 2012	2013 2	014 2015 :	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate Cash operating expenses % of cash operating expenses % of cash operating expenses Accounts payable - other	2008 2009 2010	2011 2012	2013 2	2015 :	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions	2008 2009 2010	2011 2012	2013 2	014 2015 :	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions	2008 2009 2010	2011 2012	2013 2	014 2015 :	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions	2008 2009 2010	2011 2012	2013 2	014 2015 :	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating expenses % of cash operating expenses Line of Credit - beginning of year Additions Reductions Line of Credit - beginning of year Additions Reductions Line of Credit Taxes accrued - beginning of year	2008 2009 2010	2011 2012	2013 2	014 2015 :	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions	2008 2009 2010	2011 2012	2013 2	014 2015 :	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit - beginning of year Additions Reductions Reductions Reductions	2008 2009 2010	2011 2012	2013 2	014 2015 :	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions	2008 2009 2010	2011 2012	2013 2	2015 :	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions Reductions	2008 2009 2010	2011 2012	2013 2	2015	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating of year Additions Line of Credit - beginning of year Additions Line of Credit  Taxes accrued - beginning of year Additions Reductions Line of Credit  Cash operating expenses % of cash operating expenses	2008 2009 2010	2011 2012	2013 2	014 2015 :	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions Reductions	2008 2009 2010	2011 2012	2013 2	2015	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions Reductions Taxes accrued  Cash operating expenses % of cash operating expenses Other accrued liabilities  Deferred income taxes - beginning of year	2008 2009 2010	2011 2012	2013 2	014 2015 :	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions Reductions Line of Credit  Cash operating expenses % of cash operating expenses Other accrued liabilities  Deferred income taxes - beginning of year Additions	2008 2009 2010	2011 2012	2013 2	014 2015 :	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions Reductions Line of Credit  Cash operating expenses % of cash operating expenses Other accrued aliabilities  Deferred income taxes - beginning of year Additions Reductions Deferred income taxes - beginning of year Additions Reductions	2008 2009 2010	2011 2012	2013 2	2015	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accused - beginning of year Additions Reductions Cash operating expenses % of cash operating expenses Other accrued  Cash operating expenses % of cash operating expenses % of cash operating expenses Other accrued liabilities  Deferred income taxes - beginning of year Additions Reductions Deferred income taxes - beginning of year Additions	2008 2009 2010	2011 2012	2013 2	014 2015 :	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions Reductions Reductions Cash operating expenses % of cash operating expenses Other accrued liabilities  Deferred income taxes - beginning of year Additions Reductions Deferred income taxes Total revenues	2008 2009 2010	2011 2012	2013 2	014 2015 :	2016 2017
Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accused - beginning of year Additions Reductions Cash operating expenses % of cash operating expenses Other accrued  Cash operating expenses % of cash operating expenses % of cash operating expenses Other accrued liabilities  Deferred income taxes - beginning of year Additions Reductions Deferred income taxes - beginning of year Additions	2008 2009 2010	2011 2012	2013 2	2015	2016 2017

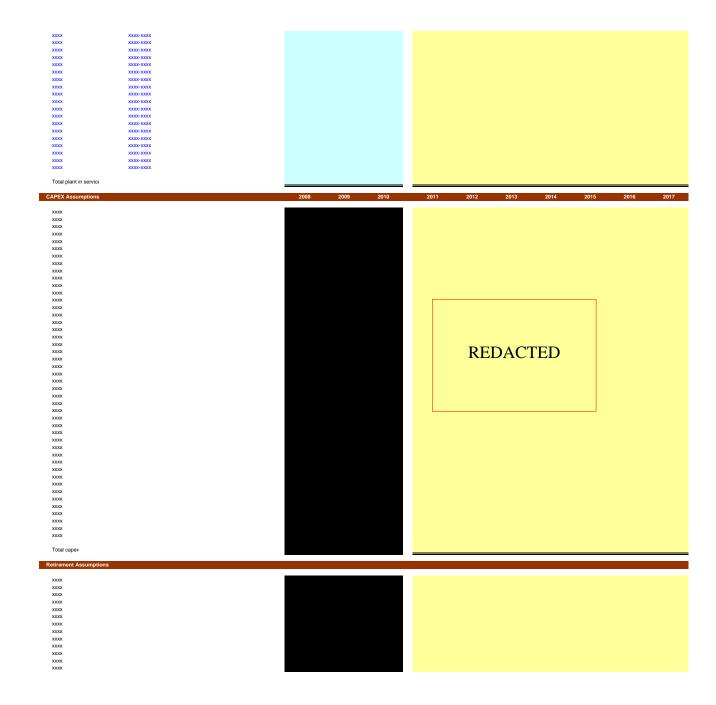
Investments and Other Assets Assumptions		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Notes receivable												
Affiliate notes receivable												
Investment in lenders												
Investment in partnership												
Investment in corporatations												
Investment in subsidiary Goodwill												
Deferred charges												
Deferred income taxes												
Notes receivable debits												
Affiliate notes receivable debits												
Investment in lenders debits												
Investment in partnership debits												
Investment in corporatations debits												
Investment in subsidiary debits Goodwill debits												
Deferred charges debits												
Deferred income taxes debits												
Notes receivable credits												
Affiliate notes receivable credits												
Investment in lenders credits												
Investment in partnership credits												
Investment in corporatations credits Investment in subsidiary credits												
Goodwill credits												
Deferred charges credits						RF	<b>EDAC</b>	TED				
Deferred income taxes credits						111		ILD				
Long-term Liability Assumptions		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Affiliate notes Deferred income taxes												
Deferred revenue - long-term portion												
Other deferrals												
Affiliate notes credits												
Deferred income taxes credits  Deferred revenue - long-term portion credits												
Other deferrals credits												
Affiliate notes debits												
Deferred income taxes debits Deferred revenue - long-term portion debits												
Other deferrals debits												
Other Balance Sheet Assumptions		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
		2007	2000	2003	2010	2011	2012	2013	2014	2013	2010	2017
Plant Under Construction	XXXX-XXXX											
Materials & Supplies Customer Deposits												
Other Long-term Liabilities												
Deferred Income Taxes												
Plant Under Construction additions												
Materials & Supplies additions												
Customer Deposits additions												
Other Long-term Liabilities additions												
Deferred Income Taxes additions												
Plant Under Construction reductions												
Materials & Supplies reductions												
Customer Deposits reductions												
Other Long-term Liabilities reductions Deferred Income Taxes reductions												
HCTH Connection Assumptions	<u> </u>	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Voice connections - end of year												
Connection Growth												
Net adds												
Long distance connections - end of year												
Connection Growth												
Net adds												
BB premises passed												
Bit premises passed Broadband connections - end of year												
Connection Growth												
Net adds												
Broadband penetration (% premises passed):												
Dial-up connections - end of year												
Connection Growth												

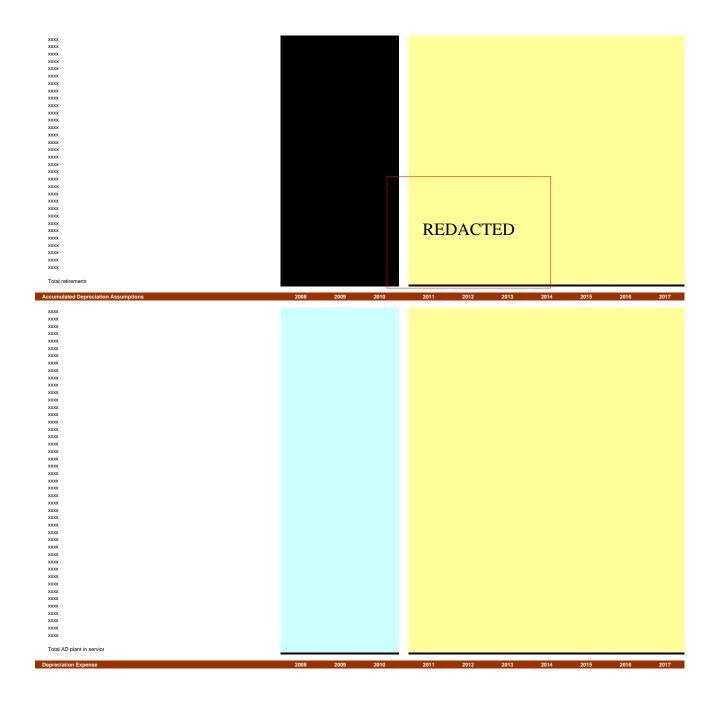
Net adds										
Video premises passed Video connections - end of year Connection Growth Net adds Video penetration										
Satellife connections - end of year Connection Growth Net adds										
CPE Sales connections - end of year Connection Growth Net adds										
Broadband - CLEC connections - end of year Connection Growth Net adds										
Wireless Internet connections - end of year Connection Growth Net adds			REDACT	ED						
Security Systems connections - end of year Connection Growth Net adds										
Computer Repair connections - end of year Connection Growth Net adds										
Leasing Revenue connections - end of year Connection Growth Net adds										
Cellular Service connections - end of year Connection Growth Net adds										
Business System connections - end of year Connection Growth Net adds										
MOU	2007	2008	2009 2010	2011	2012	2013	2014	2015	2016	2017
Interstate MOU Interstate MOU growth										
Intrastate MOU Intrastate MOU growth										
Long distance MOU Long distance MOU growth										

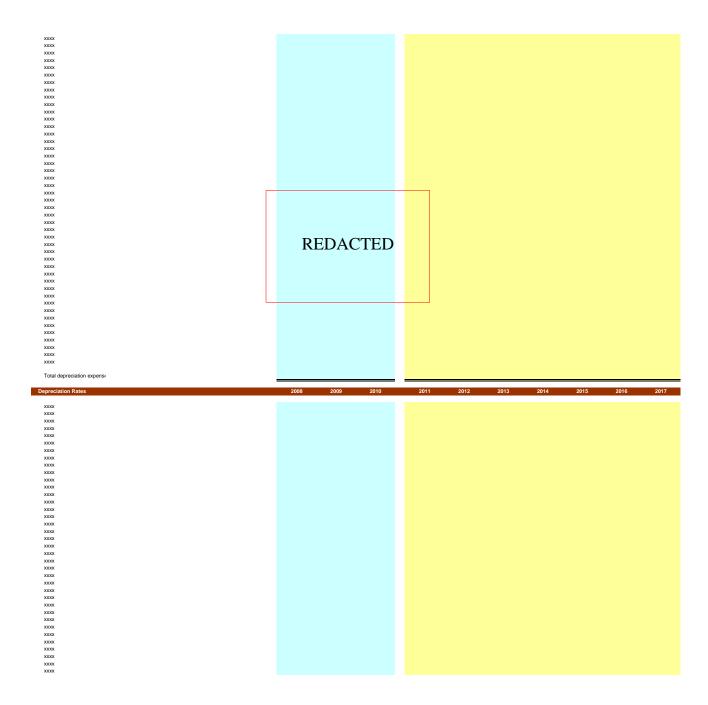


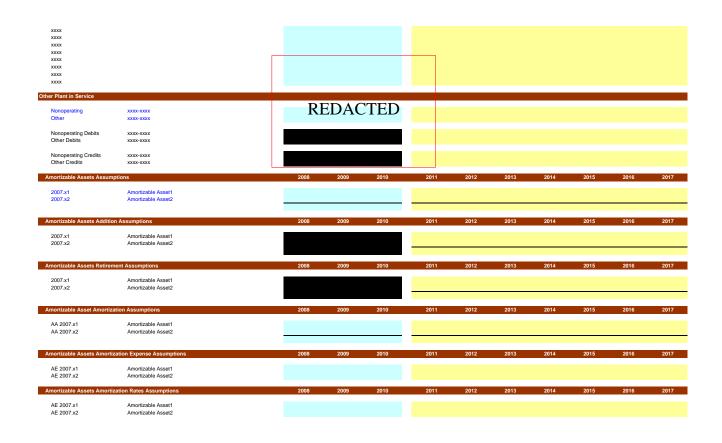












# **ATTACHMENT 2**

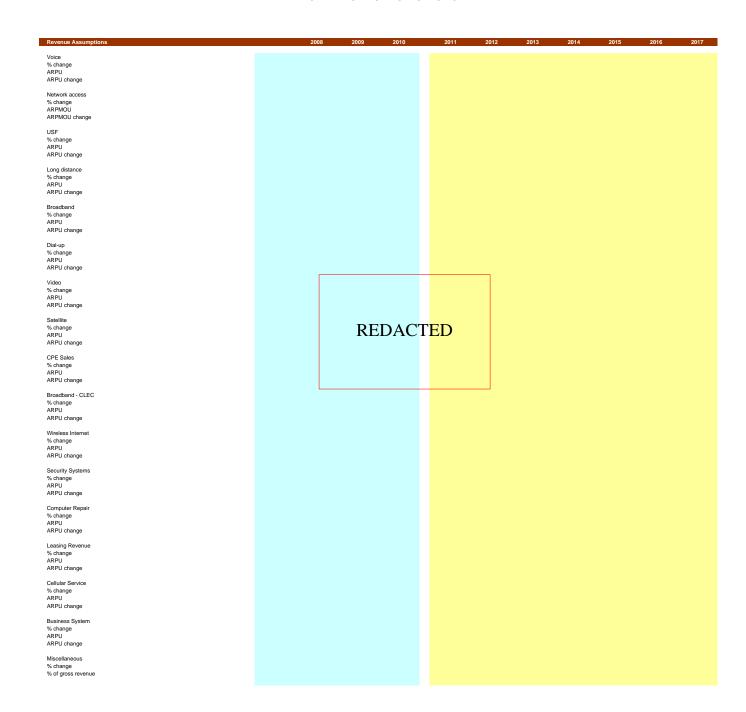
J. Subsidiary 2 Assumptions

HCT Assumptions Matrix

Current Asset Assumptions	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017
Certificates of deposit				0	0 0	0	0	0	0
Additions				Ů		ŭ	ŭ	Ü	· ·
Reductions Certificates of deposit									
Marketable securities									
Additions									
Reductions Marketable securities									
Total revenues % of total revenues									
Accounts receivable - telecommunications									
Total revenues									
% of total revenues									
Accounts receivable - other									
Accounts receivable - affiliate - beginning of year Additions									
Reductions									
Accounts receivable - affiliate									
Total revenues									
% of total revenues Accounts receivable - other			<del></del>						
Average notes receivable % of average notes receivable									
Interest receivable									
Cash operating expenses				REDAC	TED				
% of cash operating expenses Materials and supplies									
Cash operating expenses % of cash operating expenses									
Prepayments									
Deferred income taxes - beginning of year									
Deferred income taxes - beginning of year Additions									
Deferred income taxes - beginning of year									
Deferred income taxes - beginning of year Additions Reductions	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017
Deferred income taxes - beginning of year Additions Reductions Deferred income taxes Current Liabilities Assumptions	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017
Deferred income taxes - beginning of year Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017
Deferred income taxes - beginning of year Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017
Deferred income taxes - beginning of year Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017
Deferred income taxes - beginning of year Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017
Deferred income taxes - beginning of year Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017
Deferred income taxes - beginning of year Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate Cash operating expenses	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017
Deferred income taxes - beginning of year Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating expenses	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017
Deferred income taxes - beginning of year Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade Accounts payable - affiliate - beginning of year Additions Reductions Reductions Accounts payable - affiliate Cash operating expenses % of cash operating expenses % of cash operating expenses % of cash operating expenses Accounts payable - other	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017
Deferred income taxes - beginning of year Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating expenses	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017
Deferred income taxes - beginning of year Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate Cash operating expenses % of cash operating expenses % of cash operating expenses % of cash operating expenses % cocunts payable - other Line of Credit - beginning of year Additions Reductions	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017
Deferred income taxes - beginning of year Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - tadde  Accounts payable - affiliate - beginning of year Additions Reductions  Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions  Reductions  Line of Credit - beginning of year Additions	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017
Deferred income taxes - beginning of year Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating expenses % of cash operating expenses Accounts payable - other Line of Credit - beginning of year Additions Reductions Line of Gredit Taxes accrued - beginning of year	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017
Deferred income taxes - beginning of year Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Gredit - Beginning of year Additions Reductions  Line of Credit - Beginning of year Additions Reductions  Line of Credit - Beginning of year Additions Reductions Reductions Reductions Reductions Reductions Reductions	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017
Deferred income taxes - beginning of year Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Reductions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Reductions Line of Credit Taxes accrued - beginning of year Additions	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017
Deferred income taxes - beginning of year Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Reductions Line of Credit  Taxes accrued - beginning of year Additions Reductions Taxes accrued  Cash operating expenses	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017
Deferred income taxes - beginning of year Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - trade  Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions Reductions Taxes accrued	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017
Deferred income taxes - beginning of year Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating expenses % of cash operating of year Additions Reductions Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions Reductions Line of Credit  Cash operating expenses % of cash operating expenses % of cash operating expenses % of cash operating expenses Other accrued liabilities	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017
Deferred income taxes - beginning of year Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Credit - beginning of year Additions Reductions Line of Credit - Seginning of year Additions Reductions Line of Credit - beginning of year Additions Reductions Line of Credit - beginning of year Additions Reductions Line of Credit - beginning of year Additions Reductions Line of Credit - beginning of year Additions Seginning expenses Other accrued liabilities  Deferred income taxes - beginning of year Additions	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017
Deferred income taxes - beginning of year Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate - beginning of year Additions (Cash operating expenses % of cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Gredit  Taxes accrued - beginning of year Additions Reductions Taxes accrued - beginning of year Additions Reductions Taxes accrued - beginning of year Additions Deferred income taxes - beginning of year Additions	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017
Deferred income taxes - beginning of year Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate  Cash operating expenses % of cash operating expenses % of cash operating expenses % of cash operating expenses Reductions Line of Credit - beginning of year Additions Reductions Line of Credit  Taxes accrued - beginning of year Additions Reductions Taxes accrued  Cash operating expenses % of cash operating expenses Other accrued liabilities  Deferred income taxes - beginning of year Additions Reductions Deferred income taxes - beginning of year Additions	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017
Deferred income taxes - beginning of year Additions Reductions Deferred income taxes  Current Liabilities Assumptions  Cash operating expenses % of cash operating expenses Accounts payable - affiliate - beginning of year Additions Reductions Accounts payable - affiliate - beginning of year Additions (Cash operating expenses % of cash operating expenses % of cash operating expenses Accounts payable - other  Line of Credit - beginning of year Additions Reductions Line of Gredit  Taxes accrued - beginning of year Additions Reductions Taxes accrued - beginning of year Additions Reductions Taxes accrued - beginning of year Additions Deferred income taxes - beginning of year Additions	2007	2008 2009	2010	2011 2012	2013	2014	2015	2016	2017

Investments and Other Assets Assumptions		2007	2008	2009	2010	2011	2012			2015	2016	2017
								2013	2014			
Notes receivable												
Affiliate notes receivable												
Investment in lenders												
Investment in partnership												
Investment in corporatations												
Investment in subsidiary												
Goodwill												
Deferred charges												
Deferred income taxes												
Notes receivable debits												
Affiliate notes receivable debits												
Investment in lenders debits												
Investment in partnership debits												
Investment in corporatations debits												
Investment in subsidiary debits												
Goodwill debits												
Deferred charges debits												
Deferred income taxes debits												
Notes receivable credits												
Affiliate notes receivable credits												
Investment in lenders credits												
Investment in partnership credits												
Investment in partnership credits												
Investment in subsidiary credits												
Goodwill credits												
Deferred charges credits												
Deferred income taxes credits												
Long-term Liability Assumptions		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Affiliate notes												
Deferred income taxes												
Deferred revenue - long-term portion												
Other deferrals												
					_							
Affiliate notes credits												
Deferred income taxes credits												
Deferred revenue - long-term portion credits							DDD					
Other deferrals credits							RHI	)ACT	H(I)			
							ILL					
Affiliate notes debits							TTL					
Affiliate notes debits  Deferred income taxes debits							TEL					
Deferred income taxes debits							KEE					
Deferred income taxes debits Deferred revenue - long-term portion debits							TCL					
Deferred income taxes debits Deferred revenue - long-term portion debits Other deferrals debits							KLIL					
Deferred income taxes debits Deferred revenue - long-term portion debits		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Deferred recome taxes debits Deferred revenue - long-term portion debits Other deferrals debits  Other Balance Sheet Assumptions  Plant Under Construction	XXXX-XXXX	2007	2008	2009	2010	2011			2014	2015	2016	2017
Deferred income taxes debits Deferred revenue - long-term portion debits Other deferrals debits  Other Balance Sheet Assumptions  Plant Under Construction	X000+X00X	2007	2008	2009	2010	2011			2014	2015	2016	2017
Deferred income taxes debits Deferred revenue - long-term portion debits Other deferrals debits  Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies	X000+000X	2007	2008	2009	2010	2011			2014	2015	2016	2017
Deferred income taxes debits Deferred revenue - long-term portion debits Other deferrals debits  Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits	XXXX-XXXX	2007	2008	2009	2010	2011			2014	2015	2016	2017
Deferred income taxes debits Other deferrals debits Other deferrals debits Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities	X000+000X	2007	2008	2009	2010	2011			2014	2015	2016	2017
Deferred income taxes debits Deferred revenue - long-term portion debits Other deferrals debits  Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits	xxxx-xxxx	2007	2008	2009	2010	2011			2014	2015	2016	2017
Deferred ricome taxes debits Deferred revenue - long-term portion debits Other deferrals debits  Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes	X000+X00X	2007	2008	2009	2010	2011			2014	2015	2016	2017
Deferred income taxes debits Other deferrals debits Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes Plant Under Construction	xxxxxxxxx	2007	2008	2009	2010	2011			2014	2015	2016	2017
Deferred income taxes debits Other deferrals debits Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes Plant Under Construction additions Materials & Supplies	X000+X00X	2007	2008	2009	2010	2011			2014	2015	2016	2017
Deferred rincome taxes debits Deferred revenue - long-term portion debits Other deferrals debits  Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Customer Deposits additions	xxxx-xxxx	2007	2008	2009	2010	2011			2014	2015	2016	2017
Deferred income taxes debits Deferred revenue - long-term portion debits Other deferrals debits  Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Other Long-term Liabilities additions	X000+X000X	2007	2008	2009	2010	2011			2014	2015	2016	2017
Deferred rocome taxes debits Other deferrals debits Other deferrals debits Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Customer Deposits additions	xxxx-xxxx	2007	2008	2009	2010	2011			2014	2015	2016	2017
Deferred income taxes debits Other deferrals debits Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Customer Deposits additions Other Long-term Liabilities	xxxx-xxxx	2007	2008	2009	2010	2011			2014	2015	2016	2017
Deferred income taxes debits Other deferrals debits Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Customer Deposits additions Other Long-term Liabilities	XXXXX-XXXXX	2007	2008	2009	2010	2011			2014	2015	2016	2017
Deferred income taxes debits Other deferrals debits Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Other Long-term Liabilities additions Other Long-term Liabilities additions Other Long-term Liabilities additions Plant Under Construction reductions	xxxx-xxxx	2007	2008	2009	2010	2011			2014	2015	2016	2017
Deferred income taxes debits Other deferrals debits Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Customer Deposits additions Other Long-term Liabilities additions Deferred Income Taxes additions Plant Under Construction income Deposits additions Deferred Income Taxes additions Plant Under Construction reductions Materials & Supplies reductions	XXXXX-XXXXX	2007	2008	2009	2010	2011			2014	2015	2016	2017
Deferred income taxes debits Other deferrals debits Other deferrals debits Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Other Long-term Liabilities additions Deferred Income Taxes additions Other Long-term Liabilities additions Deferred Income Taxes additions Deferred Income Taxes reductions Materials & Supplies reductions Materials & Supplies reductions Customer Deposits reductions	xxxx-xxxx	2007	2008	2009	2010	2011			2014	2015	2016	2017
Deferred income taxes debits Other devenue - long-term portion debits Other deferrals debits Other deferrals debits Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Other Long-term Liabilities additions Deferred Income Taxes additions Plant Under Construction reductions Materials & Supplies reductions Customer Deposits additions Other Long-term Liabilities additions Other Long-term Liabilities additions Other Long-term Liabilities reductions Customer Deposits reductions Customer Deposits reductions Other Long-term Liabilities reductions	XXXXX-XXXXX	2007	2008	2009	2010	2011			2014	2015	2016	2017
Deferred income taxes debits Other deferrals debits Other deferrals debits Other deferrals debits Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Other Long-term Liabilities additions Deferred Income Taxes additions Other Long-term Liabilities additions Deferred Income Taxes additions Plant Under Construction reductions Materials & Supplies reductions Materials & Supplies reductions Customer Deposits reductions	x0004-x000X	2007	2008	2009	2010	2011			2014	2015	2016	2017
Deferred income taxes debits Other deferrals debits Other deferrals debits Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Other Long-term Liabilities additions Other Long-term Liabilities additions Plant Under Construction incutorial supplies additions Other Long-term Liabilities additions Customer Seposits additions Customer Deposits reductions Customer Deposits reductions Customer Deposits reductions Customer Lepisities reductions	x000-x000x	2007	2008		2010	2011			2014	2015	2016	2017
Deferred income taxes debits Other deferrals debits Other deferrals debits Other deferrals debits Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Other Long-term Liabilities additions Other Long-term Liabilities additions Plant Under Construction reductions Materials & Supplies additions Customer Deposits additions Customer Deposits additions Customer Deposits additions Other Long-term Liabilities reductions Customer Deposits reductions Customer Deposits reductions Deferred Income Taxes reductions Deferred Income Taxes reductions  HCT Connection Assumptions	X000+X00X						2012	2013				
Deferred income taxes debits Other deferrals debits Other deferrals debits Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Customer Deposits additions Other Long-term Liabilities additions Deferred Income Taxes additions Plant Under Construction reductions Materials & Supplies reductions Customer Deposits reductions Customer Deposits reductions Customer Deposits reductions Customer Deposits reductions Under Construction additions Under Construction reductions Under Construction reductions Under Construction reductions Under Construction reductions Under Construction assumptions Voice connections - end of year	x000-x000x						2012	2013				
Deferred income taxes debits Other deferrals debits Other deferrals debits Other deferrals debits Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Customer Deposits additions Other Long-term Liabilities additions Deferred Income Taxes additions  Plant Under Construction reductions Materials & Supplies reductions Other Long-term Liabilities reductions Materials & Supplies reductions Other Long-term Liabilities reductions HCT Connection Assumptions  Voice connections - end of year Connection Growth	XXXXX						2012	2013				
Deferred income taxes debits Other deferrals debits Other deferrals debits Other deferrals debits Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Customer Deposits additions Other Long-term Liabilities additions Deferred Income Taxes additions Plant Under Construction reductions Materials & Supplies reductions Customer Deposits reductions Customer Deposits reductions Customer Deposits reductions Deferred Income Taxes reductions Under Construction reductions Other Long-term Liabilities reductions Under Cong-term Liabilities reductions HCT Connection Assumptions Voice connections - end of year	x000**000X						2012	2013				
Deferred income taxes debits Other deferrals debits Other deferrals debits Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Customer Deposits additions Other Long-term Liabilities additions Other Long-term Liabilities additions Deferred Income Taxes additions  Plant Under Construction reductions Materials & Supplies reductions Other Long-term Liabilities reductions  HCT Connection Assumptions  Voice connections - end of year Connection Growth Net adds	XXXXXXXXX						2012	2013				
Deferred income taxes debits Other deferrals debits Other deferrals debits Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Customer Deposits additions Other Long-term Liabilities additions Other Long-term Liabilities additions Deferred Income Taxes additions  Plant Under Construction reductions Materials & Supplies reductions Other Long-term Liabilities reductions  HCT Connection Assumptions  Voice connections - end of year Connection Growth Net adds	X00X-X00X						2012	2013				
Deferred income taxes debits Other deferrals debits Other deferrals debits Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Customer Deposits additions Other Long-term Liabilities additions Deferred Income Taxes additions Plant Under Construction reductions Materials & Supplies reductions Other Long-term Liabilities reductions HCT Connection Assumptions  Voice connections - end of year Connection Growth	XXXXXXXXXX						2012	2013				
Deferred income taxes debits Other deferrals debits Other deferrals debits Other deferrals debits Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Other Long-term Liabilities additions Other Long-term Liabilities additions Deferred Income Taxes additions Plant Under Construction reductions Materials & Supplies reductions Customer Deposits reductions Customer Deposits reductions Customer Deposits reductions Other Long-term Liabilities reductions Deferred Income Taxes reductions Deferred Income Taxes reductions  HCT Connection Assumptions  Voice connections - end of year Connection Growth Net adds  Long distance connections - end of year	x000/x000X						2012	2013				
Deferred income taxes debits Other deferrals debits Other deferrals debits Other deferrals debits Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Customer Deposits additions Other Long-term Liabilities additions Deferred Income Taxes additions Deferred Income Taxes additions Deferred Income Taxes additions Deferred Income Taxes additions  Plant Under Construction reductions Materials & Supplies reductions Customer Deposits reductions Other Long-term Liabilities reductions HCT Connection Assumptions  Voice connections - end of year Connection Growth Net adds Long distance connections - end of year Connection Growth	XXXXXXXXXXX						2012	2013				
Deferred income taxes debits Other deferrals debits Other Balance Sheet Assumptions  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Customer Deposits additions Other Long-term Liabilities additions Other Long-term Liabilities additions Deferred Income Taxes additions Plant Under Construction reductions Materials & Supplies reductions Customer Deposits additions  Plant Under Construction reductions Materials & Supplies reductions Other Long-term Liabilities reductions Other Long-term Liabilities reductions  HCT Connection Assumptions  Voice connections - end of year Connection Growth Net adds  Long distance connections - end of year Connection Growth Net adds	x000/x000x						2012	2013				
Deferred income taxes debits Other deferrals debits Other deferrals debits Other deferrals debits Other deferrals debits  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions Other Long-term Liabilities additions Other Long-term Liabilities additions Other Long-term Liabilities additions Deferred Income Taxes additions Other Long-term Liabilities reductions Materials & Supplies reductions Customer Deposits reductions Customer Deposits reductions Customer Deposits reductions Customer Deposits reductions Deferred Income Taxes additions Plant Under Construction reductions Deferred Income Taxes additions Deferred Income Taxes reductions Deferred Income Taxes reductions  HCT Connection Assumptions  Long distance connections - end of year Connection Growth Net adds  BB premises passed	XXXXXXXXXXX						2012	2013				
Deferred income taxes debits Other deferrals debits  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Other Long-term Liabilities additions Other Long-term Liabilities additions Deferred Income Taxes additions Plant Under Construction reductions Materials & Supplies reductions Customer Deposits reductions Customer Deposits reductions Other Long-term Liabilities reductions Other Long-term Liabilities reductions Under Construction axes reductions HCT Connection Assumptions  Voice connections - end of year Connection Growth Net adds  BB premises passed BB premises passed BB premises passed BF red band Connections - end of year	x0004-x000x						2012	2013				
Deferred income taxes debits Other deferrals debits  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Other Long-term Liabilities additions Other Long-term Liabilities additions Other Long-term Liabilities additions Deferred Income Taxes additions Other Long-term Liabilities reductions Materials & Supplies reductions Customer Deposits reductions Other Long-term Liabilities reductions Other Long-term Liabilities reductions Deferred Income Taxes activations  HCT Connection Assumptions  Voice connection Growth Net adds  Long distance connections - end of year Connection Growth Net adds  BB premises passed Broadband connections - end of year Connection Growth	XXXXXXXXXXXX						2012	2013				
Deferred income taxes debits Other deferrals debits Other deferrals debits Other deferrals debits Other deferrals debits  Plant Under Construction Materials & Supplies Customer Deposits Other Long-term Liabilities Deferred Income Taxes  Plant Under Construction additions Materials & Supplies additions Customer Deposits additions Other Long-term Liabilities additions Other Long-term Liabilities additions Deferred Income Taxes additions Deferred Income Taxes additions Deferred Income Taxes additions  Plant Under Construction reductions Materials & Supplies reductions Customer Deposits reductions Customer Deposits reductions Other Long-term Liabilities reductions Deferred Income Taxes reductions Deferred Income Taxes reductions  HCT Connection Assumptions  Voice connections - end of year Connection Growth Net adds  BB premises passed Broadband connections - end of year Connection Growth Net adds	x000/x000x						2012	2013				
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Dial-up connections - end of year Connection Growth Net adds Video premises passed Video connections - end of year Connection Growth Net adds Video penetration Satellite connections - end of year Connection Growth Net adds CPE Sales connections - end of year Connection Growth Net adds							
Broadband - CLEC connections - end of year Connection Growth Net adds					,		
Wireless Internet connections - end of year Connection Growth Net adds							
Security Systems connections - end of year Connection Growth Net adds			REDA	CTED			
Computer Repair connections - end of year Connection Growth Net adds							
Leasing Revenue connections - end of year Connection Growth Net adds							
Cellular Service connections - end of year Connection Growth Net adds							
Business System connections - end of year Connection Growth Net adds							
MOU	2007 2008	20	09 2010	2011 2012	2013 2014	2015	2016 2017
Interstate MOU Interstate MOU growth							
Intrastate MOU Intrastate MOU growth							
Long distance MOU Long distance MOU growth							



Revenue Amortization		
% change		
Uncollectible		
% change % of gross revenue		
Expense Assumptions	2008 2009 2010	2011 2012 2013 2014 2015 2016 2017
Voice COGS		
% change ACPU		
ACPU change		
Network access COGS		
% change ACPMOU		
ACPMOU change		
Long distance COGS		
% change ACPU		
ACPU change		
Broadband COGS % change		
ACPU		
ACPU change		
Dial-up COGS % change		
ACPU ACPU change		
Video COGS		
% change		
ACPU ACPU change	252 4 677	
Satellite COGS	REDACTEI	)
% change ACPU		
ACPU change		
CPE Sales COGS		
% change ACPU		
ACPU change		
Broadband - CLEC COGS % change		
ACPU ACPU change		
Wireless Internet COGS % change		
ACPU ACPU change		
Security Systems COGS		
% change ACPU		
ACPU ACPU change		
Computer Repair COGS		
% change ACPU		
ACPU change		
Leasing Revenue COGS % change		
ACPU		
ACPU change		
Cellular Service COGS % change		
ACPU ACPU change		
Business System COGS		
% change		
ACPU ACPU change		
Plant specific		
% of gross operating revenue		

